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FINDINGS, LESSONS, AND RECOMMENDATIONS

KEY FINDINGS

The evaluation found that Bank-Fund collaboration on macro-structural issues has been broad, but uneven. Initial aspirations for the Fund to systematically leverage Bank expertise proved over-optimistic. While informal consultation was widespread, we identified relatively few cases of in-depth collaboration. We identified some cases where collaboration enhanced the quality and traction of the Fund's work, but also other cases where the lack of collaboration led to mixed messages that potentially undermined the impact of each institution and to missed opportunities to identify and exploit synergies which could have enhanced the value added of the Fund's engagement. While the Fund's work on macro-structural issues is generally well regarded by outside experts, there is limited evidence that its value and impact have been greatly enhanced by collaboration with the Bank, or that collaboration significantly reduced the Fund's costs.

The uneven character of Bank-Fund collaboration on macro-structural issues partly reflected a decentralized approach adopted in the pilot exercises, in which teams were given latitude to decide whether, with whom, and how to collaborate, with only light-touch guidance from the center. In practice, teams were often self-reliant, preferring to undertake the pilot work in-house and drawing on internal IMF expertise, rather than seeking to leverage Bank expertise or do joint work. This pattern is consistent with long-running concerns about a Fund cultural tendency towards being inward-looking, but it also owes in part to the institutional complexities of working with the Bank, including finding access to the right people and aligning goals and timetables, which many Bank interviewees acknowledged. For their part, Bank staff often felt that they gained little from collaboration with the Fund in areas where they had already established considerable presence. More generally, personalities and other idiosyncratic factors often played a critical role, both where collaboration was most robust and where collaboration failed to happen but could have been beneficial.

Collaboration on macro-structural issues was generally more prevalent with the World Bank than with other IOs, although when it did occur with other partners it was often deeper and added greater value.

Looking beyond the four pilots, we found that the forms and effectiveness of the Fund's external collaboration varies widely across policy areas. Where collaboration with the Bank is quite deep, such as on debt and financial sector issues, this reflects a combination of clear messages from shareholders, well-defined roles, mutual organizational benefits from collaboration, and tailored frameworks which have been adapted over time. This is not to suggest that collaboration is seamless or tension-free in these areas, but it does seem to generally work productively and is valued by member countries. In other areas, collaboration is less consistent and more limited, beyond regular consultations with country counterparts.

LESSONS

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

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

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

Structures for collaboration are important, though we do not see a strong case for a new "umbrella" agreement between the Bank and Fund to replace the 1989 Concordat. The broad underlying principles of the 1989 Concordat remain valid, and existing policies on Bank-Fund collaboration, including the sharing of information, stems from this agreement and related efforts such as the 2007 JMAP. Rather than reopening these overall agreements, we would suggest that it would be more fruitful to focus efforts on seeking to establish explicit framework(s) tailored to promote collaboration on specific priority issues, based on assessment of the costs and benefits of intensified collaboration for the partner institutions. Such frameworks should have strong management and Board support in both institutions and set out the goals of each institution from collaboration, agreement on what each would contribute separately or together, and the modalities of collaboration. They would need to take account of and where possible establish appropriate incentives for staff.

Such explicit frameworks will not be needed or appropriate in all areas of Bank-Fund collaboration on macro-structural issues. In some areas, a decentralized approach leaving country teams discretion to determine the appropriate depth and modalities of collaboration—the approach followed in the pilots—may be preferable to a more structured but more costly approach. This could be particularly the case for topics where the Fund has now built up considerable expertise and the respective roles of the two institutions are quite well established. However, this evaluation concludes that at least in some areas a more structured approach will be important to ensuring that the Fund and Bank consistently work together to maximize synergies, raising the value added and influence of both institutions.

Explicit frameworks for collaboration are most likely to be worthwhile when one or both of the institutions is seeking to expand its engagement on an issue that is important to the mandates of both. The IMF will see particular benefits where its own expertise may be limited or narrow relative to that of the Bank, while the Bank may value the Fund's ability to access and influence decision-makers in finance ministries or central banks. Both institutions would gain increased traction when their messaging is clearly reinforcing rather than potentially confusing. A framework for collaboration can also be particularly helpful when the issue involves multiple players in both partner institutions so that an informal decentralized approach may face particular coordination challenges.

Climate issues would seem to be a prime example where agreeing with the Bank on a framework for collaboration would be particularly valuable, given the IMF's increasing focus on the macroeconomic aspects and the Bank's longer-standing work and deep expertise on related climate and energy topics. Climate issues also cut across a number of functional departments and areas of expertise in both the Fund and Bank, and would therefore benefit from the clarity in role delineation which would result from development of a shared Bank-Fund framework.

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

The Fund also should think further about the type, amount, and deployment of its own expertise to help facilitate collaboration and mitigate any associated risks across different macro-structural issues, including the risk of failing to engage with relevant expertise outside the Fund. We found examples where the depth and breadth of collaboration were constrained by the very limited number of staff involved on the Fund side. Some in-house expertise will almost always be helpful at least as a channel to outside experts. It could also be valuable to identify senior individuals as focal points for external engagement for issues that cut across departments, like climate change. For Bank-Fund collaboration at the country level, it is important that the front offices of IMF Area Departments set the right expectations for their teams and put processes in place to reinforce collaboration and address any tensions at an early stage.

Engagement with partner organizations by management—on strategic and relationship matters, as well resolving operational tensions—is important to "set the tone" for staff and to establish accountabilities. The IMF Executive Board also could play a greater strategic role promoting collaboration.

Finally, personal factors will always play some role, because incentives will rarely align perfectly across institutions and because structures, even when well designed, always have limitations. But behaviors can be influenced, through leadership messages and example, through human resource processes, and by changing over time the wider organizational culture.

RECOMMENDATIONS

As the IMF is increasingly recognizing the importance of macro-structural issues to its economic sustainability mandate (IMF, 2019e), it should take a more strategic approach to collaboration with the World Bank and other partners. To be clear: the goal should not be "more collaboration always and everywhere." Rather, careful consideration should be given to deciding when, with whom, and how to collaborate, based on an informed view of the costs as well as potential benefits. There is no one-size-fits-all solution; different forms of engagement will be needed across countries and issues, and these modalities will need to evolve over time as the challenges to collaboration change.

We offer four broad recommendations, complemented by specific suggestions on how they could be implemented, which can be considered in the context of the forthcoming 2020 Comprehensive Surveillance Review, as well as more broadly. In line with the IEO's remit, these recommendations are addressed to the IMF, but it is important to recognize that carrying them out successfully will require engagement with, and in some cases parallel action by, the World Bank and other partners.

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

- A framework for collaboration on a specific macro-structural issue would set out the goals of each institution from collaboration, agreement on what each would contribute separately or together, and establish appropriate incentives for staff, recognizing the different interests, skill sets, and mandates of each institution. In practice, different frameworks would need to be tailored for different issues. The frameworks should have the strong endorsement of senior Fund and Bank managements and be presented to the Boards of the institutions.
- It would be important to identify the minimum quantity and type, and best deployment, of specialist Fund expertise that is needed to help facilitate collaboration and mitigate any associated risks across different macro-structural issues, including the risk of failing to engage with relevant expertise outside the Fund. Some in-house expertise will almost always be helpful at least as a channel to outside experts. It would also be valuable to identify senior individuals as focal points for external engagement for issues that cut across departments, like climate change.
- It could be helpful to work with the Bank to identify ways to make it easier to finance joint work. We would not expect this to become the norm, but in some cases financial resources could help to unlock joint working arrangements.

Recommendation 2—The Fund should seek to improve internal incentives to collaborate, and address a wider cultural reluctance to engage with external partners, given the inevitable limitations to top-down exhortations and structures to ensure collaboration happens at the right time in the right way. We offer suggestions on specific steps that could be taken, while recognizing that fully successful engagement may require shifting incentives in both partners and that structural differences between the Bank and Fund create challenges for aligning incentives across the two institutions.

- Management and departments could promote systematic engagement with Bank staff on specific countries and issues where there is potential to benefit from each others' work (for instance through seminars, workshops, brainstorming meetings, and coordination of work programs) that could help build networks and facilitate information sharing and other forms of collaboration.
- Staff, including reviewers, could be provided with more granular guidance and resources about when and how to engage with partners outside the Fund, tailored by issue area. Guidance could build on the existing "How To" notes in some areas, and which would be useful both in the context of a new framework agreement and also in areas where collaboration continues to be largely determined by country teams.
- Departments should ensure that due emphasis is given to relationship management as they implement the Fund's new Integrated Competency Framework and performance management system. This could help reinforce a shift towards a more open and outward looking Fund culture, through hiring and promotion policies as well as performance assessment that give more weight to collaborative behaviors.
- The Fund should explore ways to encourage more staff exchanges between the Fund and Bank, especially at senior levels, recognizing Fund staff concerns about the perceived downsides of secondments to the Bank.

Recommendation 3—The Fund should work with the World Bank to identify, prioritize, and implement ways to improve access to and exchange of information and knowledge across the two institutions. Specific steps that could be taken:

- Conclude the current initiative to clarify and communicate the information and document sharing arrangements and modalities between Bank and Fund.

- Ensure that staff can readily access up-to-date and comprehensive information on subject matter experts and country leads in the Bank and other partner organizations. Clearly assign responsibilities to Fund staff for engaging with Bank counterparts to keep this information current.

- Build on the Fund's Knowledge Management strategy, which is currently largely inward-focused, to consider with the Bank how to enhance knowledge sharing to make it easier for staff in the two institutions to become aware of and access relevant work across the partner organization. This could start with the cross-linking of Bank and Fund Knowledge Exchange sites and other specialized and curated repositories. Over the longer term, Fund and Bank could explore ways to give readier reciprocal access to documents and reports across their intranets, while addressing concerns about information security and confidentiality.

Recommendation 4—The IMF Board's strategic role in overseeing external collaboration could be strengthened by leveraging its oversight role, its scope to influence staff behavior, and its direct engagement with the Bank Board.[54] Specific steps that could be taken:

- Ensure that early Board engagement on strategic initiatives where effective collaboration with partner institutions is important provides sufficient attention to the associated modalities for collaboration.

- In its broader work on cross-cutting and country issues, the Board could more routinely acknowledge and celebrate cases of good collaboration by staff and raise concerns when collaboration seems to fall short.

- Strengthen the role of the Committee on Liaison with the World Bank and Other International Organizations in encouraging and supporting an institutional commitment to collaboration with the World Bank. The Committee could set out the Board's expectations regarding the approach of management and staff to external collaboration, and what information the Board needs and when in order to decide whether those expectations are being met. The committee could also play a role by engaging with World Bank counterparts to foster a mutual commitment to enhanced collaboration.

- Board activities could more actively encourage and facilitate Bank-Fund collaboration, for instance through more joint presentations by Bank and Fund staff, periodic joint meetings of the two Boards to consider issues of mutual concern (including Bank-Fund collaboration itself), and the presence of Bank experts "at the table" during Fund Board meetings.

[54] Actions to support Recommendation 4 would be more appropriately considered by the Executive Board itself rather than in a Management Implementation Plan, as occurred for example after the IEO's 2008 evaluation of *Governance of the IMF*, which was taken up by an Executive Directors' Working Group.