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Independent Evaluation Office
*of the* International Monetary Fund

# IMF COLLABORATION WITH THE WORLD BANK ON MACRO-STRUCTURAL ISSUES

EVALUATION REPORT **2020**

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The following conventions are used in this publication:

- An en-dash (–) between years or months (for example, 2019–20 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash (/) between years or months (for example, 2019/20) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2019).
- "Billion" means a thousand million; "trillion" means a thousand billion.

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# FOREWORD

This evaluation is the first to focus squarely on how the IMF partners with its Bretton Woods sister institution, the World Bank. Given the long, shared history and closely connected mandates of the IMF and World Bank, collaboration has always been important for the effectiveness of both institutions and the value they provide to their membership.

Growing recognition that issues such as inequality, gender, energy/climate, and macro-structural reforms, where the World Bank has deeper experience and expertise, could be critical for achieving desired macroeconomic outcomes has underlined the importance of effective collaboration. This report assesses the IMF's collaboration with the World Bank as the Fund worked to raise the quality and influence of its work on these macro-structural issues following the Global Financial Crisis through a series of pilot initiatives.

The evaluation, which was completed in March 2020, finds that overall IMF collaboration with the Bank on macro-structural issues has been broad but uneven. Informal consultation was widespread, but initial aspirations that the Fund would be able to systematically leverage Bank expertise proved over-optimistic, and there were relatively few examples of in-depth collaboration. This reflected in part the decentralized approach adopted in the pilots, but also resulted from IMF staff's tendency toward self-reliance, and the institutional complexities of working with the Bank, including finding access to the right people and information and aligning goals and timetables.

The evaluation concludes that collaboration can bring significant benefits to the quality and influence of Fund work but also poses challenges and is not a panacea for extending the IMF's ability to cover a widening range of issues. Recognizing that more effective collaboration depends not only on the IMF but also on its partners, the report recommends four broad steps that the IMF can take itself to foster more effective collaboration. These include developing tailored frameworks for collaboration in areas of key strategic importance; taking steps to improve information exchange between the institutions; strengthening incentives for engagement with the Bank and other partners; and increasing the Executive Board's role.

I was pleased that the Managing Director agreed with the evaluation's overall findings and that the Executive Board broadly endorsed the recommendations made by our evaluation at their meeting on November 16, 2020. I look forward to the formulation of an implementation plan to carry forward these recommendations, which are particularly relevant as the Fund works closely with the Bank and other partners to tackle the wide-ranging challenges as the world strives to "build back better" following the COVID-19 pandemic.

**Charles Collyns**
*Director, Independent Evaluation Office*

# CONTRIBUTORS

This report and the accompanying background papers were prepared by an IEO team led by Michael Kell and comprising Louellen Stedman, Tamar Gutner, Alisa Abrams, and Roxana Pedraglio.

The evaluation benefited from discussions with participants at workshops in Washington, D.C. and support from the World Bank's Independent Evaluation Group. However, the final judgments are the responsibility of the IEO alone. Annette Canizares, Arun Bhatnagar, and Andrea Nicole Tumbaco provided administrative assistance.

The report was approved by Charles Collyns.

# ABBREVIATIONS

| | |
|---|---|
| **ADB** | Asian Development Bank |
| **AFR** | African Department (IMF) |
| **CCPA** | Climate Change Policy Assessment |
| **CEQ** | Commitment to Equity Institute, Tulane University |
| **CSO** | civil society organization |
| **CSR** | Comprehensive Surveillance Review |
| **DFID** | Department for International Development (UK) |
| **EBRD** | European Bank for Reconstruction and Development |
| **EMDC** | emerging market and developing country |
| **FAD** | Fiscal Affairs Department (IMF) |
| **FSB** | Financial Stability Board |
| **FSF** | Financial Stability Forum |
| **G20** | Group of Twenty |
| **GFC** | Global Financial Crisis |
| **HIPC** | Heavily Indebted Poor Countries initiative |
| **IADB** | Inter-American Development Bank |
| **IEG** | Independent Evaluation Group (World Bank) |
| **IFI** | international financial institution |
| **IMFC** | International Monetary and Financial Committee (IMF) |
| **ILO** | International Labour Organization |
| **IO** | international organization |
| **ISR** | Interim Surveillance Review |
| **JMAP** | Joint Management Action Plan (IMF-World Bank) |
| **JSAN** | Joint Staff Advisory Note |
| **KE** | Knowledge Exchange |
| **LIC** | low-income country |
| **LIC-DSF** | Low-Income Country Debt Sustainability Framework |
| **LIDC** | low-income developing country |
| **MSR** | macro-structural reform |
| **OBP** | Office of Budget and Planning (IMF) |
| **OECD** | Organisation for Economic Co-operation and Development |
| **PRSP** | Poverty Reduction Strategy Paper |
| **RAS** | Reimbursable Advisory Services (World Bank) |
| **RES** | Research Department (IMF) |

| | |
|---|---|
| **SDN** | Staff Discussion Note |
| **SIP** | Selected Issues Paper |
| **SPR** | Strategy, Policy, and Review Department (IMF) |
| **TA** | technical assistance |
| **WEO** | World Economic Outlook |
| **WTO** | World Trade Organization |

# EXECUTIVE SUMMARY

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

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

## KEY FINDINGS

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

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

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

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

## LESSONS

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

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

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

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

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

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

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

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

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

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

## RECOMMENDATIONS

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

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

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

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

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

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

# INTRODUCTION

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

The key questions the evaluation seeks to address are:

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

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

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

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

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

## CONTEXT

### Bank-Fund collaboration

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

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

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

- From the start, the Fund and Bank have committed *to information sharing,* first formalized in a report from a joint committee of Bank and Fund Boards in 1946 that authorized the exchange of certain documents and information as a means to better coordinate policies.
- From the 1960s, following sharp growth in the membership of the two institutions, there was increasing attention to the *demarcation* of areas of respective responsibility, to reduce the risks of duplication and inconsistent policy advice to countries. This approach culminated in the Concordat of 1989 (IMF, 1989), which was a response to growing tensions about the respective lending roles of the two institutions following the debt crises of the 1980s. The Concordat remains the formal basis for Bank-Fund collaboration (Box 1).
- From the 1990s on, the two institutions have increasingly worked together in areas of shared responsibility, particularly as the Fund increased its role in programs to support poverty reduction and growth and both institutions stepped up attention to financial sector issues. In this context, the Fund and Bank have explored ways of moving beyond demarcation agreements to encourage *complementarity* in areas of shared responsibility, recognizing that both institutions had strengths to bring to the table, and seeking to leverage the respective expertise of the two institutions. Along these lines, in 2007, the Joint Management Action Plan or JMAP (IMF and World Bank, 2007b) provided a wide-ranging response to recommendations by an External Review Committee,[3] which called for a stronger culture of collaboration based on more complementary efforts to recognize shared objectives and an emphasis on exploiting synergies.
- The fourth and most integrated approach to collaboration has been to establish *joint frameworks for specific issues,* as have been developed to organize Fund and Bank work on debt (for example, the HIPC initiative from 1996, the Debt Sustainability Framework since 2005, and the Joint World Bank–IMF Multipronged Approach for Addressing Emerging Debt Vulnerabilities since 2018) and the financial sector (FSAP, since 1999).[4] Such frameworks agreed by the two institutions lay out each partner's responsibilities and provide processes for prioritization and decision-making.

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

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

### BOX 1. MODALITIES OF BANK-FUND COLLABORATION

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

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

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

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

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

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

## IMF collaboration with other international organizations

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

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

## Macro-structural issues and Fund surveillance

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

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

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

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

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

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

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

FIGURE 1. CRITERIA FOR COVERAGE OF STRUCTURAL ISSUES IN SURVEILLANCE

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

Source: IMF (2015a).

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

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

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

## EVALUATION MOTIVATION, SCOPE, AND APPROACH

### Motivation

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

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

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

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

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

## Scope

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

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

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

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

## Approach

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

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

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

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

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

[14] See Pedraglio (2020).

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

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

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

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

2

# 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 macro-economic 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.

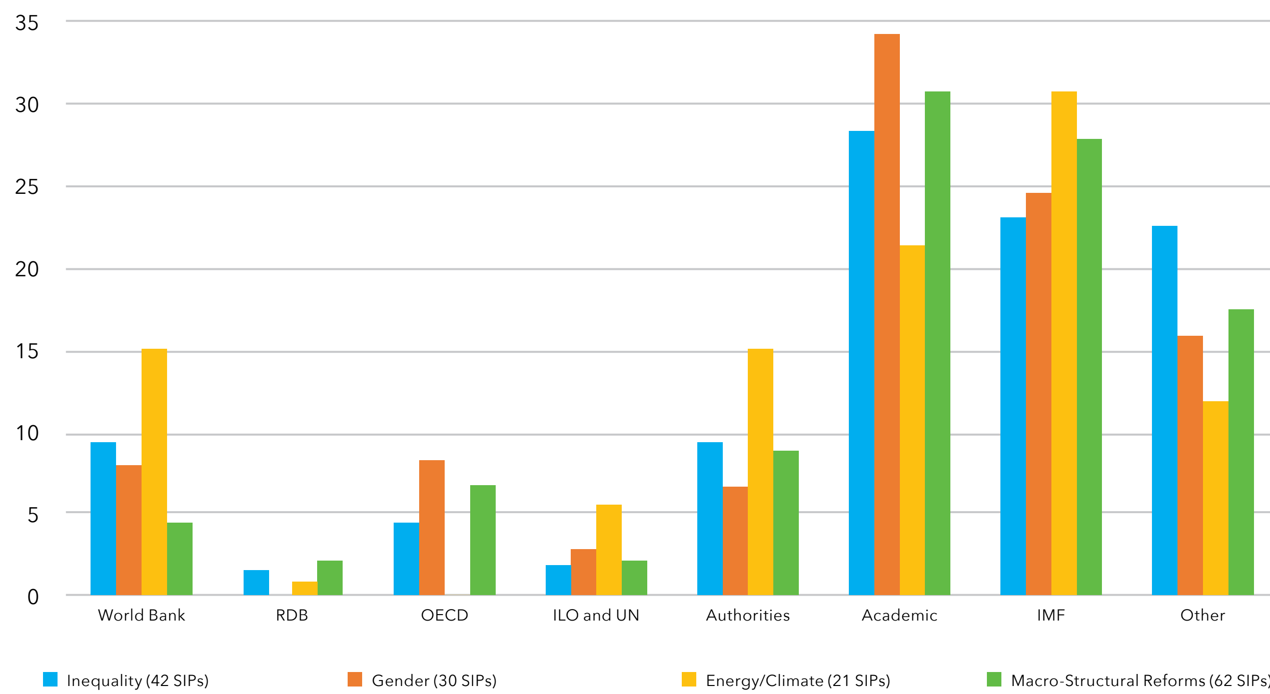
[28] The first was on Fiscal Policies and Gender Equality in November 2016 which included panel discussions with government officials, academics, development agencies, the Executive Director of UN Women, and the Executive Director for Oxfam Canada. The second was on gender and macro issues in March 2017, 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.

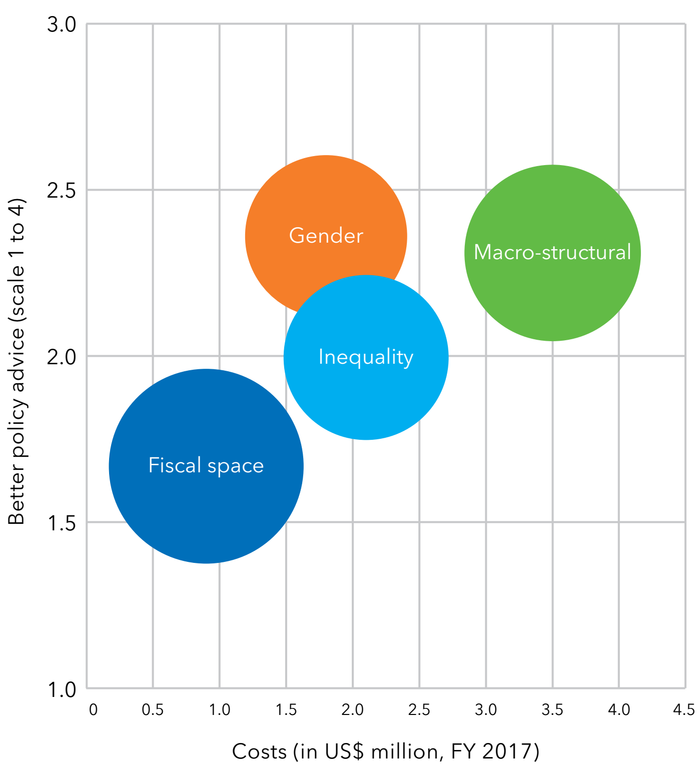
Notwithstanding evidence of fruitful collaboration with the Bank and others, we also heard from interviewees who believed that in some cases the limited degree of external collaboration by the Fund led to mixed messages which undermined impact and missed opportunities to improve quality and traction:

[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).

3

# 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.

# 4 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.

ANNEX 1

# COUNTRY COVERAGE OF FOUR IMF PILOTS

### IMF PILOT PROGRAMS ON MACRO-STRUCTURAL AND RELATED ISSUES, 2014–19

| Country | Inequality | Gender | Energy/Climate | Macro-Structural |
|---|---|---|---|---|
| Algeria | | | | Y |
| Angola | | | Y | Y |
| Argentina | Y | Y | | Y |
| Armenia | Y | | | |
| Australia | | Y | | Y |
| Austria | | Y | | |
| Bangladesh | | | Y | Y |
| Belize | | | | Y |
| Benin | Y | | | |
| Bolivia | Y | | | |
| Brazil | Y | | | Y |
| Cabo Verde | | Y | | |
| Cambodia | Y | | | |
| Cameroon | | Y | Y | |
| Canada | | Y | | Y |
| Chile | | Y | | Y |
| China, PR | Y | | Y | Y |
| Colombia | Y | | | |
| Congo, Rep. of | Y | | | |
| Costa Rica | Y | Y | | |
| Czech Rep. | | Y | | Y |
| Denmark | Y | | | |
| Djibouti | Y | | | |
| Dominica | Y | | | |
| Dominican Rep. | Y | | Y | |
| Egypt | | Y | | Y |
| Ethiopia | Y | | | |
| France | Y | | | Y |
| Georgia | | | | Y |
| Germany | | Y | | Y |
| Guatemala | Y | Y | | |

| Country | Inequality | Gender | Energy/Climate | Macro-Structural |
|---|---|---|---|---|
| Haiti | | | Y | |
| Honduras | Y | | | Y |
| Hungary | | Y | | |
| Iceland | | Y | | |
| India | | Y | Y | Y |
| Indonesia | | | | Y |
| Iran | | Y | | |
| Ireland | Y | | | |
| Israel | Y | Y | | |
| Italy | | Y | | Y |
| Jamaica | | Y | Y | |
| Japan | | Y | | Y |
| Jordan | | Y | Y | |
| Korea | Y | | | Y |
| Kosovo | Y | | | |
| Kyrgyz Rep. | Y | Y | | Y |
| Lao PDR | | Y | | |
| Lebanon | | | Y | |
| Lithuania | Y | | | |
| Macedonia, FYR | | Y | | |
| Madagascar | | | | Y |
| Malawi | Y | | | |
| Mali | | Y | | |
| Mauritania | Y | | | |
| Mauritius | | Y | | |
| Mexico | | | Y | Y |
| Mongolia | | Y | | |
| Morocco | Y | Y | | Y |
| Myanmar | Y | | Y | |
| Nicaragua | | | Y | |
| Niger | | Y | | |
| Nigeria | Y | Y | | Y |
| Norway | | Y | | |
| Pakistan | Y | Y | | |
| Palau | | | | Y |
| Paraguay | | | | Y |
| Peru | Y | | | |
| Poland | Y | Y | | Y |

| Country | Inequality | Gender | Energy/Climate | Macro-Structural |
|---|---|---|---|---|
| Portugal | | | | Y |
| Romania | | | | Y |
| Russian Fed. | | | | Y |
| Rwanda | | Y | | |
| Saudi Arabia | | | Y | Y |
| Senegal | Y | Y | | |
| Serbia | | Y | | |
| Seychelles | | | Y | |
| Singapore | Y | | | |
| Slovakia | Y | | | |
| South Africa | | | | Y |
| Sri Lanka | | | Y | |
| St. Lucia | | | Y | |
| Sudan | Y | | | |
| Swaziland | Y | | | |
| Sweden | | Y | | |
| Tanzania | | Y | | |
| Thailand | Y | | Y | Y |
| Togo | Y | | | |
| Trinidad and Tobago | | | Y | |
| Turkey | | | Y | Y |
| Turkmenistan | | | | Y |
| Ukraine | | | Y | |
| UAE | | | Y | |
| United Kingdom | | | | Y |
| United States | Y | | Y | Y |
| Vietnam | | | Y | Y |
| Zambia | Y | | | |
| Zimbabwe | | | Y | |
| Euro Area | | | Y | |
| WAEMU | | Y | | |
| **Total** | **41** | **39** | **26** | **40** |

Sources: Office Memorandum to the Managing Director and Deputy Managing Directors on Emerging Issues Pilots: Conclusions and Next Steps, Table 1. Pilot Countries and Examples of Topics Covered [on gender, inequality, and macro-structural], May 1, 2019 (internal); Office Memorandum to the Managing Director and Deputy Managing Directors on Pilots—How to Take Various Initiatives Forward, Table 1. Completed and Ongoing Pilots [on energy/climate], September 5, 2017 (internal).

ANNEX 2

# ARTICLE IV STAFF REPORT ANNEXES ON COLLABORATION

Management and Executive Directors have long recognized that structural issues outside the Fund's traditional areas of expertise may be key to the objectives of Fund surveillance. In such cases, staff were expected to draw on the relevant expertise of appropriate outside institutions, notably the World Bank. Following successive surveillance reviews, by 2002 staff were expected to report on the "effective use of outside expertise on structural issues where they are macroeconomically relevant" in Article IV staff reports (IMF, 2002); subsequently an annex was deemed permissible for reporting purposes and became a formal requirement.[1]

The IEO examined all Article IV consultation staff reports completed in 2009 and 2017. It found that staff report coverage of collaboration was uneven and, in some cases, non-existent. In 2009, only 38 percent of all Article IV staff reports (34 percent of Article IV staff reports for emerging market economies and 63 percent of low-income countries staff reports), contained a Bank-Fund collaboration annex; in 2017, these shares increased to 52 percent, 58 percent, and 89 percent, respectively (see Table A2.1).

IEO analyzed the depth of information provided regarding collaboration and assigned a rating of 1 through 4 ("low" to "high") based on guidelines and the existing "good practice" template for reporting on collaboration (namely, information on areas deemed appropriate for collaboration, shared areas of responsibility, which organization leads, and linkages with the country's policy agenda). While the share of collaboration annexes rated "high" was somewhat higher in 2017 than in 2009, the average depth in 2017 was similar to that in 2009. In 2009, most of the annexes which noted shared areas of responsibility between the two partners also listed or discussed where the IMF took or would intend to take the lead, but in 2017 this was often not the case. In 2017 there was also a small share of so-called collaboration annexes that in fact provided no information on Bank-Fund collaboration and only covered the country's relations with the World Bank. The analysis also revealed considerable variability in coverage and depth of information on collaboration across departments, income groupings, and annex formats, as well as depending on whether the staff report was prepared for a stand-alone Article IV surveillance consultation or in combination with an ongoing IMF-supported program.

[1] See Guidance Note for Surveillance Under Article IV Consultations (e.g., IMF, 2015a), Annex III.

**TABLE A2.1. ARTICLE IV STAFF REPORT ANNEXES ON COLLABORATION WITH THE WORLD BANK: COVERAGE AND RATINGS DISTRIBUTION**

| | 2009 | 2017 |
|---|---|---|
| AIV consultation staff reports (total) | 111 | 134 |
| *Of which, collaboration annex (total)* | *42* | *70* |
| *Share (percent)* | *38* | *52* |
| Share of Article IV staff reports with collaboration annex, by income group (percent) | | |
| *AE* | *0* | *0* |
| *EM* | *34* | *58* |
| *LIC* | *63* | *89* |
| Collaboration annexes quality rating (percent) | | |
| High | 20 | 28 |
| Satisfactory | 40 | 37 |
| Moderate | 20 | 11 |
| Low | 20 | 14 |
| No information on collaboration | 0 | 10 |

Source: IEO.
Notes: AIV=Article IV; AE=advanced economy; EM=emerging market economy; LIC=low-income country.

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# STATEMENT BY THE MANAGING DIRECTOR

## ON THE INDEPENDENT EVALUATION OFFICE REPORT ON IMF COLLABORATION WITH THE WORLD BANK ON MACRO-STRUCTURAL ISSUES

## JUNE 15, 2020

*I welcome the report of the Independent Evaluation Office (IEO) on the collaboration between the IMF and the World Bank. The report acknowledges broad collaboration but notes that it has been uneven. I broadly agree with the thrust of the report's recommendations, which are a timely input for the Comprehensive Surveillance Review (CSR) and our efforts to enhance collaboration with the World Bank and other institutions. These recommendations will help develop a strategy to further enhance collaboration that would be appropriately tailored to different macro-structural areas. Successfully implementing most recommendations will, however, hinge on reaching understandings with the Bank.*

The Fund has a long history of collaboration with other institutions, and in particular the World Bank. With the 1989 Concordat and the 2007 Joint Management Action Plan (JMAP), the Fund and the World Bank have long recognized that given their complementarities and mandates, collaboration is natural and mutually beneficial. Over the past few years, successful collaboration initiatives include, among many other, the Debt Sustainability Framework (2005), the Joint World Bank-IMF Multipronged Approach for Addressing Emerging Debt Vulnerabilities (2018) and the Financial Sector Assessment Program (1999). The Fund's pilot initiatives to enhance coverage of inequality, gender, energy/climate and macro-structural reforms in surveillance have also presented important opportunities for collaboration with the Bank and other institutions. These include, inter alia, the Climate Change Policy Assessments (CCPA) with the Bank; inequality and distributional impacts with DFID, and gender issues with UN Women.

I agree with the report's finding that there is no need for a new umbrella agreement for collaboration with the World Bank. I also concur with the report about the importance of fostering more effective collaboration, rather than just more collaboration; hence the need to prioritize areas where fostering further collaboration will be highly impactful and cost effective. At the same time, I find it encouraging to learn that the Fund's work in emerging issues is well regarded by outside experts, in particular in light of the significant internal resource constraints.

I appreciate that the report steers clear from recommending a one-size-fits-all approach, and acknowledges the valuable role played by informal collaboration thus far. The report finds that collaboration, despite being broad, has been uneven and opportunities to leverage the Bank's expertise may have been missed. While this is partly attributed to the multifaceted approach adopted in the pilots, the report highlights that there are many complex structural factors that hinder collaboration, together with the different mandates and roles played by the two institutions. These deeper issues will be challenging to resolve—and go beyond the scope of this short evaluation by the IEO. I therefore agree that collaboration modalities need to be tailored. In particular, I agree that we could adopt structured frameworks in strategic macro-structural areas that are relevant to both institutions, where the Fund's expertise is relatively limited, and where there is scope for mutual gains considering collaboration costs. I also welcome the report touching on other important issues affecting the effectiveness of collaboration between the World Bank and the Fund, including the incentives of staff to collaborate, the need to improve access to and exchange of information and knowledge, and its call for a more strategic role of the IMF's Board.

In sum, I broadly agree with the core messages of the IEO report's recommendations, with qualifications in some areas. Below is my response to each of the four recommendations of the report.

## RESPONSE TO IEO RECOMMENDATIONS

**Recommendation 1—The Fund should seek to develop and agree on concrete frameworks to ensure effective collaboration with the World Bank (or other relevant partner organizations) on key macro-structural issues where collaboration is judged to bring the greatest strategic returns.**

I support this recommendation, with some qualifications. I broadly concur with the recommendation to adopt a more structured approach in select strategic areas, based on an evaluation of the net benefits of collaboration, the availability of resources within the Fund, and the incentives for the Bank to collaborate. Such approach will require discussions across departments and with the Bank. In particular, I strongly agree that activities in the climate workstream where the responsibilities of the two institutions overlap are good candidates. Building blocks of such a framework are already emerging: for instance the ongoing review of the CCPAs seeks to put collaboration with the Bank on a sounder institutionalized footing; and the envisaged co-chairing by the Bank and the Fund of the Secretariat of the Coalition of Ministers for Climate Action will entail agreeing on the responsibilities between the two institutions.

I agree that it would be important to identify core staff that can serve as focal points for external engagement and that the skills composition of our staff should meet the Fund's needs. The Fund's Integrated Competency Framework and the establishment of centers of expertise envisaged in the Comprehensive Surveillance Review will support this objective.

While I agree, in principle, that it would be useful to identify ways to make it easier to finance joint work with the Bank, I would like to note that the success of this effort would hinge on factors that are beyond the control of the Fund, such as possible constraints to implementing this approach on the side of the Bank.

**Recommendation 2—The Fund should seek to improve internal incentives to collaborate and address the wider cultural reluctance to engage with external partners, given the inevitable limitations of top-down exhortations and structures in ensuring that collaboration happens at the right time in the right way.**

I agree in principle with the need to better align incentives of staff to facilitate collaboration with some qualifications. It is worth exploring how a broader systematic engagement on specific countries and/or issues could help build networks and further knowledge exchange that encourage staff to seek stronger collaboration. There might also be merit in fostering staff exchanges at the senior level but that would require consultation on the extent to which this may be needed as well as discussion with the Bank on whether it is feasible and useful. The recommendation to embed incentives in the performance management system, however, appears to understate the difficulties for further changes to the just adopted new performance management system, which is still being absorbed by staff.

Moreover, the new performance management system is based on a competency-based assessment, including new features such as the multi-source input and clearly defined behavioral competencies that are part of the Integrated Competency Framework that already include elements related to collaboration.

**Recommendation 3– The Fund should work with the World Bank to identify, prioritize, and implement practical steps to improve access to and exchange of information and knowledge across the two institutions.**

I broadly support this recommendation, with one qualification. I concur with the need of improving the availability of information to staff. Completing the ongoing initiative to clarify the ground rules and disseminate best practices of information sharing between the Bank and the Fund would help make significant inroads in this regard. Actions already undertaken include establishing a list of first points of contact and strengthening upstream exchanges of views between high-level staff of IMF Area Departments and World Bank's Regional Vice-Presidencies. These actions, together, with institutions planning to regularly share rosters of technical experts across institutions, will help bolster access to and exchange of information as recommended by the report. The final outcome will depend, however, on the World Bank's incentives to take this engagement further.

I have some concerns, however, with the recommendation to cross-link knowledge exchange sites and provide reciprocal access to intranets. While I agree with this recommendation in general, it also poses significant accountability issues, coordination costs, and technical challenges for the two institutions—including information security risks—that should not be underestimated. While the feasibility of this undertaking on the side of the Fund could be explored, success in this regard will also hinge on reaching understandings with the Bank.

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

I concur with the Board's strategic role in supporting collaboration and support the recommendation to further strengthen it. This recommendation lies outside the purview of a Management Implementation Plan (MIP), and would need to be taken up directly by the Board.

### TABLE 1. THE MANAGING DIRECTOR'S POSITION ON IEO RECOMMENDATIONS

| RECOMMENDATION | POSITION |
|---|---|
| (i) 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. | QUALIFIED SUPPORT |
| (ii) The Fund should seek to improve internal incentives to collaborate and address the wider cultural reluctance to engage with external partners. | QUALIFIED SUPPORT |
| (iii) The Fund should work with the World Bank to identify, prioritize, and implement practical steps to improve access to and exchange of information and knowledge across the two institutions. | QUALIFIED SUPPORT |
| (iv) The IMF Board's strategic role in facilitating and supporting external collaboration could be strengthened. | FOR THE BOARD |

# FACTUAL UPDATE

## OCTOBER 26, 2020

This note provides an update on relevant developments since completion of the IEO evaluation on IMF collaboration with the World Bank on macro-structural issues, ahead of discussion of the evaluation report by the Executive Board on November 16, 2020. The evaluation report was completed and circulated to the Executive Board on March 4, 2020 (SM/20/59; and Supplements 1–4), but the Board discussion initially scheduled for later that month was delayed as the IMF focused on the emergency response to the COVID-19 crisis.[1]

The evaluation assessed the IMF's effectiveness in collaborating with the World Bank as a means to raise the quality and influence of its work on macro-structural issues and to contain the costs associated with that agenda. It focused on IMF pilot initiatives to enhance the coverage of inequality, gender, energy/climate, and macro-structural reforms in Article IV surveillance and drew lessons on how to achieve sustainable improvements in collaboration on macro-structural issues more broadly. The evaluation is intended to feed into the upcoming Comprehensive Surveillance Review.

This update summarizes factual information based on interviews with Fund staff, without undertaking an assessment or evaluation of these or other developments since the evaluation report was issued to the Board. It focuses on collaboration on the topics covered in the four pilots, rather than broader collaboration on programs or other operational support for member countries, which staff reported was intense in the context of the response to COVID-19.

Along with broader surveillance activities, work on macro-structural issues reportedly received less attention as the Fund focused on the COVID-19 response. Nonetheless, some activities in these areas continued or have resumed, coordinated by the advisory groups established in September 2019 in each of the four pilot areas.[2] This includes collaboration with the World Bank and others in the following areas:

**Inequality:** The Inequality Advisory Group hosted a seminar for World Bank staff to present their work on "Assessing the Distributional Impacts of COVID-19" on July 16, 2020. In addition, FAD organized a series of seminars on social protection for area departments with the participation of World Bank staff. The Inequality Advisory Group has subsequently facilitated connections between IMF teams and Bank staff to understand and potentially draw on analysis undertaken by the Bank on particular countries.

**Gender:** The Gender Advisory Group and the World Bank's Gender Group organized a seminar on March 18, 2020 on "Engendering Macro-economy: the Missing Agenda"

[1] In June 2020, the IEO held an informal seminar for the Board on findings and conclusions from the evaluation relevant to climate change, reflecting the increasing attention in the IMF to this issue and ahead of staff engagement with the Board on the integration of climate change in surveillance.

[2] Terms of Reference for these groups (finalized in November 2019) assign them responsibilities including drawing on expertise inside and outside the Fund and collaborating with external experts and stakeholders.

with panelists and discussants from both Fund and Bank staff addressing questions about the effects of gender inequalities on economic growth, the most effective models for capturing this relationship, and approaches to draw on this evidence in policy dialogue with member countries. This led to a series of follow-up meetings with Bank counterparts to facilitate connections between staff on both cross-country and individual country work. Fund staff also continue to partner with other organizations such as UN Women.

**Climate:** IMF staff is actively engaged with the Secretariat to the Coalition of Finance Ministers for Climate Action, participating informally at this stage pending consideration of a formal co chair role alongside the World Bank. This engagement involves collaboration with Coalition members, the World Bank, and others in work across the six "Helsinki Principles," including working toward effective carbon pricing.[3] The Managing Director hosted a ministerial-level meeting of the Coalition on October 12, 2020.

In addition, the joint Bank-Fund review of experience with the Climate Change Policy Assessment (CCPA) pilots has progressed.[4] Once this review is complete, Fund staff expect to engage with World Bank staff to finalize a framework for joint work on the CCPAs going forward.

**Macro-structural reforms:** The IMF, World Bank, and OECD co-hosted a third annual conference on structural reforms on September 24–25, 2020, focusing on "Improving the Income Distribution Effect of Market Reforms in a Post-COVID-19 World."

**Information sharing:** The protocol to clarify and communicate arrangements and modalities for information and document sharing between the IMF and World Bank remains pending. Meanwhile, the Fund has stepped up efforts to communicate more broadly about its work on inequality, gender, and climate by launching a dedicated webpage to each of these topics.[5]

[3] https://www.financeministersforclimate.org/Helsinki-Principles.

[4] With the CCPA for Tonga published in June 2020, six CCPA pilots have now been completed.

[5] https://www.IMF.org/en/Topics/Inequality; https://www.IMF.org/external/themes/gender; https://www.IMF.org/en/Topics/climate-change.

# THE CHAIR'S SUMMING UP

## INDEPENDENT EVALUATION OFFICE - WORKING WITH PARTNERS – IMF COLLABORATION WITH THE WORLD BANK ON MACRO-STRUCTURAL ISSUES

## EXECUTIVE BOARD MEETING 20/110
## NOVEMBER 16, 2020

Executive Directors welcomed the report of the Independent Evaluation Office (IEO) on IMF Collaboration with the World Bank on Macro-Structural Issues. They appreciated the insightful report and the timely recommendations given the forthcoming Comprehensive Surveillance Review and the challenges posed by the pandemic. They welcomed the report's recognition that collaboration between the two institutions has been broad, in the context of their closely connected mandates and shared history, and that the existing umbrella agreements for collaboration are adequate. At the same time, Directors noted the evaluation finding that collaboration has been uneven, which a number of Directors attributed to a range of factors including the Fund's cultural tendency toward self-reliance. Directors emphasized the importance of ensuring effective collaboration as the Fund increasingly engages on a broad range of policy issues including those related to fostering a robust global economic recovery from the pandemic. Against this background, Directors welcomed the Managing Director's broad support for the IEO findings and recommendations, while noting the qualifications in some areas. They emphasized the importance of developing a strategy to further enhance collaboration that would be appropriately tailored to different macro- structural areas. They noted that the ultimate success of collaboration would hinge on reaching understandings with the Bank but urged active engagement with Bank counterparts.

Directors broadly supported Recommendation 1 on developing and agreeing on concrete frameworks to ensure effective collaboration on select macro-structural issues where Fund and Bank roles are complementary and where collaboration is judged to bring the most strategic returns, taking into account the costs of collaboration and the availability of resources. Such frameworks should ensure adequate incentives to collaborate and have strong management and Board support in both the Fund and the Bank. Directors agreed that activities in the climate workstream would be a strong candidate for such a tailored framework. Many Directors also suggested other areas that could be considered for tailored collaboration. Directors underlined the importance of ensuring adequate staff resources for collaboration, including identifying core Fund staff as focal points for external engagement and ensuring sufficient specialist expertise.

Directors broadly concurred with Recommendation 2 to seek to improve internal incentives for staff to collaborate. They stressed that management should emphasize the importance of collaboration, as well as provide guidance on when and how to engage with the Bank and give better recognition of successful collaboration. Directors noted that the new performance management system is based on a competency-based assessment including clearly defined behavioral competencies in the Fund's Integrated Competency Framework (ICF) that include elements related to collaboration. A number of Directors encouraged enhancing incentives for collaborative behavior under the ICF. Some Directors also considered that there could be merit in fostering staff exchanges at the senior level, which should be discussed within the Fund and with the Bank.

Directors broadly supported Recommendation 3 on improving access to and exchange of information and knowledge across the two institutions. They called for further progress on the ongoing initiative to foster information sharing between the Fund and the Bank. They also emphasized the importance for staff to be able to readily access up-to-date and comprehensive information on appropriate contact persons and experts in the Bank. In this regard, they noted the Managing Director's statement that actions already undertaken—such as establishing a list of first points of contact and strengthening exchanges of views between high-level staff—together with the planned regular sharing of rosters of technical experts across institutions, will help bolster access to and exchange of information. Directors noted the importance of enhancing knowledge sharing. While recognizing the Managing Director's concerns regarding potential information security risks related to the recommendation to cross-link knowledge exchange sites and provide reciprocal access to intranets, Directors suggested exploring practical solutions that could address security, confidentiality, accountability and other concerns. They noted that success would also hinge on reaching understandings with the Bank and on cost considerations.

Directors agreed with Recommendation 4 that the IMF Board's strategic role in facilitating and supporting external collaboration could be strengthened. The Board could consider how to leverage its oversight role, scope to influence staff behavior, and engagement with the Bank Board on collaboration issues. In this context, Directors stressed that early Board engagement on areas for in-depth collaboration will be important. A number of Directors considered that the role of the Board Committee on Liaison with the World Bank and Other International Organizations could be strengthened. Some Directors supported holding joint Fund-Bank Board meetings on relevant issues pertaining to collaboration.

On the whole, Directors emphasized the importance of management leadership in fostering collaboration. Many Directors also suggested creating a high-level joint Fund-Bank committee, which could focus on longer-term strategic issues and help institutionalize collaboration.

In line with established practice, management and staff will give careful consideration to today's discussion in formulating the Management Implementation Plan for Board-endorsed recommendations, including approaches to monitoring progress.

**IMF COLLABORATION WITH THE WORLD BANK ON MACRO-STRUCTURAL ISSUES**

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