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