



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

**Draft Issues Paper for an Evaluation by the  
Independent Evaluation Office (IEO)**

March 29, 2019



## I. INTRODUCTION

1. This draft issues paper discusses the motivation, scope, evaluation questions, and workplan for an IEO evaluation on “IMF Collaboration with the World Bank on Macro-Structural Issues.” This will be the first pilot for the shorter evaluation format, adopted on a trial basis to allow the IEO to respond more nimbly to Board concerns.<sup>1</sup> The IEO welcomes comments from internal and external stakeholders on the proposed approach.
2. **The objectives** for the evaluation are to (i) assess how effective the Fund has been in collaborating with the World Bank in its work on macro-structural issues; and (ii) draw lessons on how to achieve sustainable improvements in Fund collaboration with the Bank and other international organizations, on these issues and more generally.<sup>2</sup>
3. **Motivation:** Over the past decade following the global financial crisis (GFC), growth rates have disappointed, while distributional issues have been of increasing concern. The Fund’s response included increased attention to a range of macro-structural issues (including jobs and growth, inequality, gender, climate change, and infrastructure). This focus was reflected in the 2014 Triennial Surveillance Review, which highlighted the need for the IMF to “grapple with structural issues given their increasing importance for macroeconomic stability and growth” (IMF, 2014).
4. Many elements of these macro-structural issues fell outside the Fund’s traditional areas of involvement and competency, so there was recognition from the outset of the importance of drawing on the expertise of other international organizations. This was reinforced by constraints on the Fund’s operational budget and concerns that diluting the Fund’s attention beyond its core areas of focus could be expensive and reduce its capability to provide added value in core areas. Consequently, when issues were judged to be macro-critical, but Fund expertise was lacking, staff were instructed to provide analysis by “drawing on expertise from other organizations” (IMF, 2015).
5. Among those various organizations, the World Bank has traditionally been a particularly important partner for the IMF, given the Bank’s expertise in many structural issues, overlaps in membership and institutional mandates with those of the Fund, and the geographical proximity of the headquarters of the Bank and the Fund. Collaboration on macro-structural issues in recent years follows a long history of efforts to enhance cooperation between the IMF and the World Bank, and a number of previous IEO evaluations have commented on many aspects of Bank-Fund collaboration. But the IEO has not to date focused an evaluation on this

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<sup>1</sup> Decision No 16481-(19/4), adopted January 17, 2019. See EBAP/19/4.

<sup>2</sup> In line with the IEO’s proposals for the shorter evaluation product, and in view of constraints on the absorptive capacity of the institution, shorter evaluations as a general rule will present findings and takeaways but not make recommendations to be followed by a Management Implementation Plan (MIP). However, it is possible that recommendations may be judged as appropriate by the IEO for inclusion in the final report. In any event, the number of new MIPs will be constrained to no more than two per year.

long-standing issue. And with the Comprehensive Surveillance Review expected to be discussed by the Board in Spring 2020, this evaluation could provide useful lessons for a key component of the Fund’s surveillance activities.

6. **Structure of the paper:** The remainder of this paper provides some background (Section II); discusses the scope of and key questions for the evaluation (Section III); and describes the proposed work plan (Section IV).

## II. BACKGROUND

7. **Macro-structural issues:** 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, 2015). 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. 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” (IMF, 2015). For the purposes of this evaluation, we will use the term “macro-structural” to refer to the set of structural issues that have been judged as potentially macro-critical.<sup>3</sup>

8. IMF work on some macro-structural issues traces back decades, as recognition grew about the importance of such longer-term issues to the institution’s overall mandate of promoting stability and growth. Examples include the incorporation of structural conditionality into Fund programs starting in the 1980s, and the increased focus on labor markets, income inequality, social safety nets, and good governance starting in the late-1990s.

9. In the aftermath of the GFC, the need for attention on macro-structural reforms to help strengthen long-term growth potential, as well as increasing interest in the IMF and more generally in equity and inclusion issues, have led to an intensification of IMF work in these areas. For instance, the IMF launched an initiative on Jobs and Growth in 2009 to clarify and enhance the IMF’s role in helping countries meet the challenges of generating growth and employment. In 2015, pilots were launched on three emerging issues—inequality, gender, and climate—followed in 2016 by a broader macro-structural pilot initiative covering 32 member countries, as the IMF sought to identify how it could add value on non-core areas judged as macro-critical, and of interest to a critical mass of Fund membership. (Annex 1 provides a list of countries included in these four pilots.) As it proceeded, the IMF emphasized the importance of collaboration with other international organizations in areas in which the IMF did not have expertise to maximize value while limiting costs in the context of budget constraints.

10. The October 2014 Triennial Surveillance Review found that growth and structural reforms were receiving more attention in Article IV reports, but that deeper analysis could boost the

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<sup>3</sup> Which structural issues are macro-critical in each country will of course depend on country circumstances.

impact of advice (IMF, 2014). Subsequent guidance for staff clarified when and how IMF country teams should address macro-structural issues in individual Article IV consultations. 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” (IMF, 2015; see Figure 1 below).

**Figure 1. Criteria for Coverage of Structural Issues in Surveillance**

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

Source: IMF (2015).

11. The 2018 Interim Surveillance Review (ISR) concluded that considerable progress had been made in work on macrostructural issues (IMF, 2018). In particular, it found that staff’s analytical work had strengthened the Fund’s ability to examine productivity challenges and provide policy advice, and that the macrostructural pilot initiative had facilitated better integration of structural issues into macroeconomic analysis and policy advice. The gender and inequality pilots were judged as having reached a point where sufficient internal expertise and collaboration with other institutions had been established, such that they could be “mainstreamed,” meaning that such topics would be addressed in those countries where they were judged to be macro-critical. Nonetheless, the ISR noted that there was scope to sharpen the Fund’s advice on macrostructural issues, through training, increased access to standardized databases and diagnostic tools, and better leveraging of external expertise.

12. **Bank-Fund collaboration:** The IMF and World Bank have a long shared history and closely connected 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, 2016; World Bank, 2012). Over the past decades, there have been many examples of successful cooperation but also duplication and tension—particularly as roles and mandates of each institution have expanded over time. Efforts to collaborate have taken place at different levels (Board, management, senior staff, and operational staff) and in different contexts (for example, strategic thinking/positioning, policy elaboration and advice, research, lending activity in individual countries, and capacity development). In some instances, collaboration between the organizations has occurred in the context of structured “top down” mechanisms, but has also

been “bottom up,” driven by individual staff preferences/working styles and country-specific circumstances.

13. The two institutions have pursued a variety of means to enhance collaboration and reduce duplication to help them more effectively carry out their respective missions, beginning with an explicit written agreement in 1966 that set out primary responsibilities in overlapping areas. A series of institutionalized agreements and other efforts followed, including a joint memo from the heads of the two institutions to their Executive Boards in 1989 (“the Concordat”), laying out areas of responsibility for and overlaps between the Fund and the Bank (IMF, 1989). In 2007, with both institutions working to address challenges of globalization and advance the Millennium Development Goals, an External Review Committee examined the state of collaboration between the institutions and ways to enhance it (IMF-World Bank, 2007a, known as the “Malan Report”), leading to a Joint Management Action Plan or JMAP (IMF-World Bank, 2007b). This provided, *inter alia*, for enhanced communication, stronger incentives and institutional support for staff cooperation. A review of the JMAP in 2010 found that implementation had varied, but that overall the impact on Bank-Fund collaboration was positive (IMF-World Bank, 2010). The JMAP itself 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.

14. There has been no review of the JMAP since 2010, and it is unclear to what extent its recommendations have been followed through. There have, however, been numerous joint Bank-Fund initiatives in recent years requiring enhanced coordination, such as the efforts to develop common diagnostics and tools for debt sustainability analysis, initiatives to support capacity development for tax administration and public financial management, and the financial surveillance assessment program.<sup>4</sup>

15. With other international organizations, Fund collaboration has generally been more *ad hoc* and issue-based rather than involving specific umbrella agreements. For example, the IMF has worked with the ILO on labor issues, with the WTO on trade issues, with the UN on poverty and gender issues, and with the OECD on labor and product market reform issues. Evidence to date suggests that this collaboration has been less intensive or pervasive than with the World Bank, but has been related to macro-structural issues and therefore has relevance to this evaluation.

16. **Several recent IEO evaluations** have identified various operational challenges to effective collaboration with the World Bank and other international organizations and called for further strengthening of the IMF’s efforts in this regard:

- The evaluation of the *IMF and Social Protection* (IEO, 2017) found that collaboration with the Bank worked better than with other partner organizations. The IMF often played a useful advocacy role by advising countries on how to build adequate fiscal space for

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<sup>4</sup> While some of these are considered to fall within a broad definition of macro-structural issues, they lie closer to the traditional core of IMF work.

priority social spending, while relying on the Bank for detailed design and implementation work. Collaboration with the Bank was helped by a shared approach of targeting social protection to the most vulnerable. By contrast, the Fund's approach meshed less well with the rights-based approach to social protection that guides the work of the ILO and other U.N. agencies.

- The evaluation of the *IMF and Fragile States* (IEO, 2018a) found that collaboration worked best at the country level where good interpersonal relationships developed. But at the institutional level, partner agencies were disappointed in interactions with the IMF, with collaboration at times limited largely to information sharing. While recognizing the difficulties of collaboration given differing institutional mandates, priorities, and budget cycles, the evaluation pointed to the need to enhance IMF engagement with development partners on strategic and country-specific issues.
- The evaluation of *IMF Financial Surveillance* (IEO, 2019) found that the organization of Financial Sector Assessment Programs for emerging market economies and low-income countries is complicated by challenges in coordinating with the World Bank, whose mandate and internal processes are different than those of the IMF. In an IEO survey for this evaluation, half of IMF staff respondents reported that coordination with the World Bank was weak or needed improvement. The evaluation also looked at cooperation with the Financial Stability Board, and pointed to some organizational challenges in working together, for example in the Early Warning Exercise.
- The *Evaluation Update on Structural Conditionality in IMF-Supported Programs* (IEO, 2018b) found that Bank-Fund cooperation on structural conditionality functioned reasonably well at the country level. However, it echoed the findings from other IEO evaluations that both Fund staff and Executive Directors perceived a need to strengthen institutional modalities of cooperation and make collaboration less personality driven, and more substantive and systemically effective.
- The Evaluation Update *Revisiting the IEO Evaluations of The IMF's role in PRSPs and the PRGF (2004) and The IMF and Aid to Sub-Saharan Africa (2007)* (IEO, 2014) found Bank-Fund collaboration on Poverty and Social Impact Analysis had continued to be limited. It pointed to mandates and incentives not being well aligned, and differences in institutional cultures and timeframes. The Update also highlighted the uncertainty for the Fund's work following the World Bank's 2014 decision to delink the PRSP and related joint Bank-Fund documents from its program lending decisions.

### III. SCOPE AND EVALUATION QUESTIONS

17. **Scope:** The evaluation will not be a comprehensive assessment of all aspects of Bank-Fund collaboration, or an assessment of the quality and impact of Fund's work on macro-structural issues *per se*. Rather, in line with the intentions of the shorter IEO evaluation

format, this evaluation will focus more narrowly on the intersection of these two topics, to assess the extent and effectiveness of Fund collaboration with the Bank on macro-structural issues. Evidence from this assessment, combined with insights from previous IEO reports, should shed light on how to deal with the broader challenges of collaboration with the World Bank and the IMF's partners more generally.

18. The coverage of macro-structural issues will not be exhaustive, but rather will focus on a number of structural issues that are "non-core," in which the IMF does not have long-established expertise.<sup>5</sup> Our initial intention is to assess collaboration in the context of six IMF workstreams: (i) jobs and growth; (ii) inequality; (iii) gender; (iv) climate change; (v) governance; and (vi) the macro-structural pilot, which included a broad range of macro-structural issues. These workstreams have varying histories and degrees of Bank-Fund collaboration. We will seek to identify both cases of good practice and cases where collaboration could have been more effective. Given the time and resource constraints of the shorter evaluation format, it is proposed that the focus will be on collaboration with the Bank on macro-structural issues in the context of the Fund's surveillance work. While macro-structural issues are of course central to much of the Fund's program and capacity building work as well, for these areas we intend to primarily draw on findings from previous IEO evaluations and other relevant literature on Fund program and capacity building work insofar as they shed light on Bank-Fund collaboration. Having said that, we will consider the operation and results of Bank-Fund collaboration on macro-structural issues for countries in or near Fund programs at the time when they were included in the macro-structural workstreams.

19. The evaluation will be asymmetric, in that it will assess the extent to which the Fund has effectively collaborated with the Bank but will not reach judgements on the Bank's efforts to collaborate with the Fund, or evaluate the Bank's work on macro-structural issues. But the evaluation will seek to provide a holistic perspective on the key factors affecting the outcome of collaboration between the two institutions, including alignment of goals, incentives for working together and structures for collaborative engagement. To this end, we will seek Bank perspectives and evidence, including from the Bank's Executive Directors, staff, and the Independent Evaluation Group, in order to understand the framework and motivations for Bank collaboration with the Fund.

20. While the focus of the evaluation will be the Fund's collaboration with the Bank, we intend to look at the Fund's collaboration on the selected macro-structural issues with other international organizations (such as the OECD and the ILO as relevant), to provide comparisons and better insights into the factors that promote or prevent successful Bank-Fund collaboration.

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<sup>5</sup> In some IMF documents, macro-financial and macro-fiscal (e.g., taxation and public financial management) work is included in the discussion of structural issues, but they are more traditional areas of expertise for the Fund, and closer to being "core." They will not be covered in this evaluation.

21. The evaluation period will be from FY2009, when the Fund's concerted work on macro-structural issues began, to FY2019. However, the evaluation will also consider earlier work where relevant (e.g., on inequality and governance).

22. **Evaluation questions:** The overarching question for the evaluation will be "how effective has the Fund been in collaborating with the Bank in its work on macro-structural issues?". The sub-questions will be grouped under two headings: what role did the Fund intend for collaboration with the World Bank on macro-structural issues and what did it do to foster that collaboration? Second, what collaboration took place and what were the results of the collaboration?

23. *What role did the IMF envisage for collaboration and what did it do to operationalize that engagement?*

- (a) What did the IMF aim to accomplish through collaboration on macro-structural issues? What objectives and expectations did it set out?
- (b) What institutional arrangements were put in place? Were the division of labor/responsibilities between the Fund and the Bank, and the processes for collaboration on macro-structural issues clearly defined?
- (c) At the operational level, what arrangements and/or structures were put in place in the Fund and the Bank to foster successful collaboration? What mechanisms were used to incentivize collaboration at operational levels in both institutions?
- (d) How did engagement between management and senior staff of the Fund and the Bank contribute to collaboration on macro-structural issues?
- (e) Were the shareholders of the Fund and Bank bought in and aligned on the need for, and modalities of, enhanced collaboration between the two institutions?
- (f) How has the allocation of Fund resources (human and financial) for macro-structural work reflected collaboration with the Bank?
- (g) To what extent were the lessons from previous attempts to enhance collaboration with the Bank put into practice?

24. *What collaboration took place and what were the results?*

- (a) In what ways did IMF staff collaborate with the World Bank on macro-structural issues?
- (b) On which macro-structural issues was collaboration most evident and where was it limited?
- (c) How was Bank-Fund collaboration measured and/or assessed by staff and management?

- (d) What challenges did the Fund encounter in collaborating with the Bank on macro-structural issues?
- (e) To what extent did enhanced collaboration with the Bank facilitate changes in the coverage and focus of Fund outputs on macro-structural issues?
- (f) To what extent did the quality of the Fund's work on macro-structural issues benefit from collaboration with the Bank?
- (g) To what extent was collaboration with the Bank (i) reflected in policy discussions with the authorities of member countries and (ii) responsible for enhanced policy traction?
- (h) How has Bank-Fund collaboration compared with Fund collaboration with other institutions on macro-structural issues?

25. Based on the findings on these questions, the evaluation will seek to draw lessons for the IMF's future collaboration with the World Bank. In particular, it will seek to identify factors that helped and hindered effective collaboration, as well as highlight areas in which the IMF collaborated effectively and where it could do better. Whether to offer specific recommendations to the Executive Board will be assessed after reaching the main findings and conclusions of the evaluation (see footnote 2).

#### **IV. WORK PLAN**

26. **Sources of evidence:** The main sources will be: (i) desk reviews of internal documents and Board reports on IMF macro-structural issues, Article IV staff reports and selected issues papers, multilateral surveillance outputs, budgeting documents and staff briefings for management; (ii) analysis of IMF working papers, staff discussion notes, and other research outputs (including comparisons of the quality and influence of Bank and Fund work through citation analysis and other tools); (iii) relevant findings from previous IEO evaluations, World Bank evaluations and other (non-Fund) assessments of Bank-Fund collaboration; (iv) semi-structured interviews with IMF Board members, management and staff, country authorities, Bank staff and Board members, representatives from other international organizations (such as the OECD and ILO), academics, think tanks, and civil society; (v) analysis of IMF budget plans and resource outturns; (vi) a short staff survey. As a shorter evaluation report, we do not expect to commission any background papers by outside experts.

27. **Country coverage:** The evaluation will look at Bank-Fund collaboration on macro-structural issues across a range of countries and regions. Most will be drawn from the countries included in the six Fund workstreams discussed above, though some will be countries not covered by these workstreams, for comparison purposes.

28. **Time frame:** We aim to present the evaluation to the Executive Board by March 2020.

## ANNEX I. COUNTRY COVERAGE OF FOUR PILOTS

IMF Pilot Programs on Macro-Structural and Related Issues: Waves 1-3, 2015–18				
Country	Inequality	Gender	Energy/Climate	Macro-structural
Algeria				Y
Angola			Y	
Argentina	Y	Y		Y
Armenia	X			
Australia		Y		Y
Austria		Y		
Azerbaijan				Y
Bangladesh			Y	Y
Benin	Y			
Bolivia	Y			
Brazil	Y			Y
Cambodia	Y			
Cameroon		Y	Y	
Canada		Y		Y
Cabo Verde		Y		
Chad				Y
Chile		Y		Y
China, PR	Y		Y	Y
Colombia	X			
Congo, Rep. of	Y			
Costa Rica	Y	Y		
Czech Rep.		Y		
Denmark	X			
Djibouti	Y			
Dominica	Y			
Dominican Rep.	Y		Y	
Egypt		Y		Y
Ethiopia	Y			
France	Y			Y
Germany		Y		Y
Guatemala	Y	Y		
Haiti	Y		Y	
Honduras	Y			
Hungary		Y		
Iceland		Y		
India		Y	Y	Y
Indonesia				Y
Iran	Y	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	Y		
Lebanon			Y	

Lithuania	Y			
Madagascar				Y
Malawi	Y			
Mali		Y		
Mauritania	X			
Mauritius		Y		
Mexico			Y	Y
Mongolia		Y		
Morocco	Y	Y		Y
Myanmar	Y		Y	
Nicaragua			Y	
Niger		Y		
Nigeria	Y	Y		
Macedonia, FYR		Y		
Norway		Y		
Pakistan	Y	Y		
Peru	Y			
Poland	Y	Y		Y
Romania				Y
Russia				Y
Rwanda		Y		
St. Lucia			Y	
Saudi Arabia			Y	Y
Senegal	Y	Y		
Serbia		Y		
Seychelles			Y	
Singapore	Y			
Slovakia	Y			
South Africa				Y
Sri Lanka			Y	
Sudan	Y			
Swaziland	Y			
Sweden		Y		
Tajikistan	Y			
Tanzania		Y		
Thailand	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		
<b>Total</b>	<b>45</b>	<b>39</b>	<b>26</b>	<b>32</b>

Sources: Office Memorandum, September 2017 (Internal); How to Operationalize Inequality Issues in Country Work, Annex II, June 2018.  
Notes: Y = Wave 1-3 countries listed in Office Memorandum, 2017; X = Additional Wave 1-2 countries listed in June 2018 paper.

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