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Statement by Ms. Levonian, Mr. O'Brolchain, and Mr. Weil on Independent Evaluation Office - Working with Partners - IMF Collaboration with the World Bank on Macro-Structural Issues
(Preliminary)
Executive Board Meeting
November 16, 2020

Thank you to the IEO for their report and to the Managing Director for her Buff statement in which she welcomed the report and agreed with the thrust of its recommendations. We took note of the Managing Director's observation that most of the IEO's recommendations will require reaching agreement with the World Bank. We expect that recommendations stemming from an evaluation of Fund collaboration could require a collaborative approach to be successfully implemented.

The COVID-19 crisis has made this evaluation even more relevant and timely. Pre-COVID-19 the IEO's findings might have helped achieve four key objectives: (i) help staff leverage complementarities between Fund and Bank expertise and experience to improve the quality of advice; (ii) support the Fund's commitments as part of the 2030 Agenda for Sustainable Development to intensify its policy and analytical work on issues related to inclusive growth; (iii) help the Fund leverage outside expertise on climate change as the institution increases its attention to the issue; and (iv) act as a key input into the Comprehensive Surveillance Review (CSR). This evaluation has now taken on even greater importance given that the COVID-19 crisis is disproportionately impacting women and the poor, exacerbating inequality, and exposing new and longstanding macro-structural issues. Further, whereas lending in the stabilization phase of the crisis could focus somewhat less on macro-structural issues, macro-structural reforms are expected to feature prominently in the context of Fund-supported programs in the recovery.

We support the IEO's recommendations and underscore that more consistent collaboration will ultimately require changing the Fund's culture of self-reliance to

instill a more collaborative mindset. Changes to the Fund's management team since the launch of the evaluation may prove helpful in driving the necessary changes from the top.

Recommendation 1. We agree that frameworks that clearly set out roles and expectations could help ensure effective collaboration with the World Bank. The policy pilots illustrate how collaboration with the Bank could have led to better outcomes if expectations had been clearer at the outset. That said, there is a risk of over-engineering collaboration and stifling spontaneous collaboration if staff perceives it to be rules based. There is a delicate balance to be struck.

Recommendation 2. For collaboration to succeed, incentives need to be aligned. We strongly support the IEO's recommendation to leverage the Fund's new performance assessment system which includes behavioral competencies relevant to relationship building that can help make Fund culture more outward looking. Additional guidance could also be provided to staff on when and how to engage with the Bank. However, collaboration should not become a 'box-ticking' exercise and needs to come from a genuine desire amongst staff to improve the quality of analysis and advice for the benefit of the membership. That will ultimately require setting the tone from the top given that staff perceive managers to be placing a low value on collaboration.

Recommendation 3. Operational barriers to collaboration, such as access to information and knowledge, should be removed wherever possible. We took note of the Managing Director's concerns with respect to cross-linking knowledge exchanges and granting reciprocal access to intranet sites. Perhaps a first step may be to determine the types of information that are of highest priority for cross-institutional sharing and developing plans to systematically improve access in those areas. If successful, this could catalyze more ambitious plans. *What is the IEO's perspective with respect to the operational feasibility of the recommendation to cross-link knowledge exchanges and intranet sites?*

Recommendation 4. The Board should play a strategic role in supporting collaboration as our shareholders expect the Fund to operate in partnership with the multilateral development banks as part of a coherent system that is greater than the sum of its parts. However, to exercise this role the Board requires an information base upon which to make an assessment as to the appropriateness/extent of collaboration on a given issue. In response to this recommendation the Board should formalize the information base that it considers necessary through the appropriate forum (i.e., the Evaluation Committee or Liaison Committee). While the recommendation itself lies outside of the purview of a Management Implementation Plan (MIP), we could see associated actions forming part of a MIP, especially if the Board is able to articulate its information sharing expectations in the intervening six months.

The creation of a high-level joint IMF-World Bank Committee could help institutionalize collaboration and set the tone from the top. In our experience, one of the best ways to drive meaningful change in the area of institutional collaboration is by setting the tone from the top. This might best be achieved through the creation of a joint management committee that could set an agenda on issues of shared concern, make joint recommendations to the two Executive Boards, and take decisions where mandated to do so. Such a committee could advance the objectives framed in the IEO's evaluation by: (i) lending greater structure to collaboration (Recommendation 1); (ii) incentivizing collaboration by mobilizing the institutions to collaborate (Recommendation 2); identifying and removing barriers to collaboration (Recommendation 3); and providing information to the Board on the state of collaboration between the two institutions (Recommendation 4). The committee could also identify new areas that would benefit from collaboration. We understand that such a recommendation, which directly implicates the Bank, may not have been in the scope of this evaluation. Management could however use the IEO's overall findings as the impetus to institutionalize collaboration and to set the tone from the top. *We would appreciate views on the idea of creating a high-level joint IMF-World Bank Committee*.

The Fund should continue taking a strategic approach to collaboration but may need to validate the guiding framework as part of the CSR. The focus should continue to be on identifying those macro structural issues where collaboration is likely to bring the greatest returns to improving the quality of the Fund's analysis and advice. We expect staff to draw on the lessons learned from this evaluation as part of the CSR, and in particular to consider whether the framework set out in 2015 to help country teams decide when and how to collaborate when undertaking Article IV surveillance should be updated in light of the finding that the framework may have inadvertently minimized the need to collaborate.

Collaboration is not a panacea for extending the Fund's ability to cover a widening range of issues under resource constraints. We were not surprised by the finding that collaboration did not lead to cost savings and may have increased demands on staff's time. Ultimately, collaboration should be pursued as a means of improving the quality of the Fund' analysis and advice to the membership and not for reasons of efficiency.

Management should apply lessons learned in other policy areas as well as in relationships with other IFIs. Many of the evaluation's lessons learned can be applied more broadly. This includes collaboration in the provision of financial assistance in response to the COVID-19 crisis, where work should continue to be guided by the 2017 G20 principles for effective coordination between the Fund and multilateral development banks. Given the importance of financing remaining catalytic in response to the COVID-19 crisis, the Fund should draw on the lessons learned to support its collaboration with other layers of the

GFSN. We would also emphasize the importance of strong collaboration with the Bank on debt issues. The Joint IMF-World Bank Multipronged Approach for Addressing Emerging Debt Vulnerabilities has showcased effective collaboration, but recent issues related to "negative pledge clauses" suggest there is still room for improvement in this area.