EXECUTIVE BOARD MEETING

SM/20/59
Supplement 3
Correction 1

November 18, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Independent Evaluation Office—Selected Collaboration Initiatives Between the IMF and Multilateral Partners**

Board Action: The attached corrections to SM/20/59, Sup. 3 (3/4/20) have been provided by the IEO:

Pages 1 (subsequent footnotes renumbered), 7, 8

Questions: Mr. Collyns, IEO (ext. 38383)
Mr. Kell, IEO (ext. 37715)

I. INTRODUCTION

1. This paper summarizes selected existing institutional-level frameworks for collaboration between the IMF and multilateral partners and other collaboration initiatives covering specific issue areas. Relevant partners include the World Bank and other multilateral development banks; the United Nations (UN) and specialized agencies (including in particular the World Trade Organization); and the Financial Stability Board.[1]

II. INSTITUTIONAL-LEVEL FRAMEWORKS

A. IMF-World Bank

Bank-Fund Concordat

2. The overall framework for collaboration between the IMF and World Bank is guided by a 1989 joint memorandum from the IMF Managing Director and the President of the World Bank to the Executive Boards, known as the Concordat. The Concordat reaffirmed guidelines established in 1966 which recognized broad primary areas of Fund and World Bank responsibility and set forth enhanced procedures for country-level and issue area collaboration and the resolution of outstanding differences of view.[2] In order to avoid differing policy advice to member countries, each institution was expected to consult at the earliest stages of work as possible. They were also expected to rely as much as possible on analyses and monitoring of the other institution in the areas of the other's primary responsibilities, while safeguarding the independence of institutional decisions (IMF, 1989).[3]

Joint Management Action Plan (JMAP)

3. In March 2006, the Managing Director of the IMF and the President of the World Bank commissioned the External Review Committee on IMF-World Bank Collaboration to look at the status of institutional collaboration and provide suggestions for improvement. The Committee's report (the "Malan Report"), released in February 2007, called for the strengthening of the culture of collaboration in the two institutions and made a number of specific proposals in that direction. These included, inter alia, a requirement that IMF and World Bank country teams working on

[1] 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 updated the Board on key developments in Bank-Fund collaboration on macro-structural issues since March. These developments do not change the substance of this background paper.

[2] The Concordat noted that the Fund has primary responsibility with respect to surveillance, exchange rate matters, balance of payments, and stabilization policies, consistent with its mandate, experience and expertise. The Bank has primary responsibility for development strategies, policies for the efficient allocation of resources, government spending priorities, and sectoral policies, consistent with its mandate, experience and expertise. Shared issue areas of interest include inter alia the financial sector and debt issues (IMF, 1989).

[3] The Concordat noted that although the Bank's assessment of structural and sectoral policies would continue to be an important element in decisions regarding Fund lending, the ultimate decision on whether to support the program rested with the Fund's Executive Board (IMF, 1989). For further detail on the Concordat and an historical perspective on the frameworks for World Bank-Fund collaboration, see Gutner (2020).

includes an assessment of projected economic impact, a costing of the planned policy response, and recommendations on fiscal and structural reforms to strengthen national strategies. The CCPA aims to provide a useful framework for identifying policy gaps and capacity constraints; prioritizing and sequencing projects, financing, and capacity-building needs; strengthening coordination across government ministries; and coordinating TA by the Fund and the World Bank, based on their respective areas of expertise. CCPA pilots have been completed for Seychelles, St. Lucia, Belize, Grenada, ~~and~~ Micronesia, and Tonga. CCPAs accompany Article IV consultation staff reports and, if approved by the member country, are subsequently published by the IMF.

Coalition of Finance Ministers for Climate Action

15. In April 2019, Finance Ministers from over 20 countries launched the Coalition of Finance Ministers for Climate Action aimed at driving stronger collective action on climate change and impacts, especially through fiscal policy and the use of public finance.[17] In order to achieve their shared objectives, they also adopted the Helsinki Principles which call on technical support from international and other partners for Finance Ministers to share best practices and experiences on macroeconomic, fiscal, and public financial management policies for low-carbon and climate-resilient growth. Multilateral partners include the IMF, World Bank, OECD, UN Framework Convention on Climate Change Secretariat, UNDP, and other UN agencies. Initially, it was envisioned that the World Bank would serve as secretariat. The Fund has since agreed to a World Bank initiative to co-chair the secretariat, pending IMF Board approval.

B. Debt

Heavily Indebted Poor Countries (HIPC) Initiative/Multilateral Debt Relief Initiative (MDRI)

16. In 1996, the IMF and the World Bank launched the Heavily Indebted Poor Countries (HIPC) Initiative with the aim of ensuring that no poor country faces a debt burden it cannot manage by providing relief to lower debt to a sustainable level. Following a joint IMF and World Bank review in 1999, the Enhanced HIPC Initiative was introduced in 2000 to update the principles and approach (IMF-World Bank, 1999). In 2005, the HIPC Initiative was supplemented by the MDRI in order to help accelerate progress toward the UN Millennium Development Goals. The MDRI allows for 100 percent relief on eligible debts by the IMF, the World Bank, and the African Development Fund for countries that have completed the HIPC Initiative process.[18] In 2007, the Inter-American Development Bank also decided to provide additional ("beyond HIPC") debt relief to five HIPCs in the Western Hemisphere. The HIPC and MDRI programs have relieved

[17] As of October 1, 2019, there were 43 member countries.

[18] In the case of the IMF, the Executive Board agreed that all member countries (including non-HIPC) at or below the per capita income threshold of US$380 should also be eligible.

36 of 39 countries of $77 billion in debt, the full amount for which they were eligible under the two initiatives (IMF, 2019b).[19]

17. The IMF and World Bank work together at key points in the HIPC process. These include determining whether a country requesting HIPC assistance has satisfied the eligibility criteria, and jointly preparing a preliminary Decision Point document for issuance to the Boards. This document should include a discussion of the debt situation and the policy track record and a loan-by-loan HIPC Debt Sustainability Analysis; provide preliminary estimates of the costs and timing of debt relief; and discuss in broad terms the conditionality envisaged for reaching the Completion Point. Additionally, in order to reach the Completion Point and receive full reduction, the IMF and International Development Association (IDA) Boards must agree that the country has: (i) established a further track record of good performance under programs supported by loans from the IMF and the World Bank, respectively; (ii) satisfactorily implemented key reforms agreed at the Decision Point; and (iii) adopted and implemented a Poverty Reduction Strategy Paper (PRSP) for at least one year (as evidenced by a Joint Staff Advisory Note prepared by the IMF and World Bank staffs).[20]

Joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries (LIC-DSF)

18. In April 2005, the IMF and IDA Boards approved the introduction of the Debt Sustainability Framework (DSF), a tool developed jointly by IMF and World Bank staff to conduct public and external debt sustainability analysis in low-income countries.[21] The primary aim of the DSF is to guide borrowing decisions of low-income countries in a way that matches their need for funds with their current and prospective ability to service debt, tailored to their specific circumstances.

19. According to joint IMF and World Bank guidelines to staff,[22] a full LIC Debt Sustainability Analysis (DSA) should generally be produced at least once every calendar year to accompany the Article IV surveillance consultation. However, a new DSA must be produced in the case of a request for IMF financing or World Bank non-concessional financing subject to IDA's Non-Concessional Borrowing Policy, if there is a proposed modification to a performance criterion

[19] Somalia reached the HIPC Decision Point on March 25, 2020. Although potentially eligible, Eritrea~~, Somalia~~ and Sudan have yet to reach the Decision Point.

[20] As discussed below, the PRSP has been replaced (see entry on Poverty Reduction Strategies). However, while PRSP and related documentation requirements have since been superseded in the context of IMF concessional financing, they have been retained in the context of the HIPC Initiative (IMF, 2017a). This implies different collaboration modalities for low income/PRGT-eligible countries and HIPC-eligible countries.

[21] This tool and related processes differ from the Debt Sustainability Assessment Framework and analysis for Market Access Countries (MAC-DSA), which is carried out by the IMF without the participation of the World Bank.

[22] The joint Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries was issued in 2007, 2010, and 2013 and updated in 2017 (see IMF, 2017c).