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ENHANCING COLLABORATION: JOINT MANAGEMENT ACTION PLAN (FOLLOW-UP TO THE REPORT OF THE EXTERNAL REVIEW COMMITTEE ON WORLD BANK-IMF COLLABORATION)

Attached for the October 21, 2007, Development Committee Meeting is a background report entitled "Enhancing Collaboration: Joint Management Action Plan (Follow-up to Report of the External Review Committee on World Bank-IMF Collaboration)," prepared by the staff of the International Monetary Fund and the World Bank.

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THE WORLD BANK
AND INTERNATIONAL MONETARY FUND

Enhancing Collaboration: Joint Management Action Plan (Follow-Up to the Report of the External Review Committee on World Bank-IMF Collaboration)

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ABBREVIATIONS AND ACRONYMS

AML/CFT	Anti-Money Laundering/Combating Terrorism Financing
CAS	Country Assistance Strategy
DPL	Development Policy Loan
DSA	Debt Sustainability Analysis
EXR	External Relations Department (IMF)
EXT	External Relations Vice Presidency (World Bank)
FAD	Fiscal Affairs Department
FSAP	Financial Sector Assessment Program
FSB	Fiscal Strategy Brief
FSLC	Financial Sector Liaison Committee
HIPC	Highly-Indebted Poor Country
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Financial Corporation
IMFC	International Monetary and Finance Committee
JIC	Joint Implementation Committee
JMAP	Joint Management Action Plan
JSAN	Joint Staff Advisory Note
LIC	Low-Income Country
LICUS	Low-Income Countries Under Stress
MD	Managing Director
MDGs	Millennium Development Goals
MDR	Multilateral Debt Relief
MIC	Middle-Income Country
MTS	Medium-Term Strategy of the IMF
OPCS	Operations Policy and Country Services
PDR	Policy Development and Review Department
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PREM	Poverty Reduction and Economic Management Network
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
PSIA	Poverty and Social Impact Analysis
ROSC	Review of Standards and Codes
STA	IMF Statistics Department
STATCAP	Statistical Capacity Building Program
TA	Technical Assistance
UN	United Nations
WEO	World Economic Outlook

EXECUTIVE SUMMARY

In March 2006, the President of the World Bank and the Managing Director of the International Monetary Fund (IMF) commissioned the External Review Committee on World Bank-IMF Collaboration to look at the status of institutional collaboration and provide suggestions for improvement. The Committee's 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. Following informal Board discussions in the Bank and the Fund, the Spring Development Committee and IMFC communiqués welcomed the Report's messages and said that Ministers looked forward to seeing how the two institutions would take them forward.

The Joint Management Action Plan (JMAP) was prepared against this background, and the actions agreed between Bank and Fund managements in the JMAP are scheduled to be presented in informal Board meetings in early October. The JMAP will be launched immediately after the Annual Meetings. The goal is for most new systems to be operational in time for the preparation of FY09 budgets.

The JMAP draws on the results of a staff survey, recommendations from six staff work streams, and a joint staff retreat. These inputs found that collaboration has generally worked well, but could be improved. They pointed to specific steps to strengthen collaboration—building on existing good-practice approaches and consistent with the applicable policies of the two institutions, including those governing issues of confidentiality—rather than dramatic changes or the addition of bureaucratic layers.

The attached JMAP implementation matrix (Table 1) sets out the full list of actions agreed by the six work streams around which consensus developed at the retreat. Taken together, the agreed actions in the JMAP are designed to:

(i) **improve coordination on country issues**—through new procedures for country team coordination, including regular meetings on work programs, agreement on instruments and division of labor, and new systems for requesting and tracking inputs from the other institution;

(ii) **enhance communications between the staff of the two institutions working on common thematic issues**—through new electronic platforms for the sharing of focal point names, documents, mission schedules, and other information among staff in the two institutions working on country teams and/or the financial sector, fiscal issues, and technical cooperation; and

(iii) **improve incentives and central supports for collaboration on policies, reviews, and other institutional issues**—through new procedures for reflecting collaboration in staff and managerial performance reviews; and the replacement of the Joint Implementation Committee by an information and monitoring clearing-house function anchored in the Poverty Reduction and Economic Management Network (PREM) in the World Bank and the Policy Development and Review

Department (PDR) in the Fund, which also will manage the institutional systems for cross-support.

The JMAP aims to translate identified good-practice approaches to collaboration into standard practices. Systematic implementation will be facilitated by the establishment of dedicated portals and electronic platforms supporting the retrieval and sharing of information, building upon existing systems. The JMAP also envisages a two-pronged approach to monitoring, relying on collaboration data tracked by the portals, once established, and periodic self-assessments by units within both institutions.

Taken together, the above actions should lead to improvements in coordination and communications between the two institutions, thereby nurturing the culture of collaboration in both. Of course, important differences will remain between the two institutions—from their distinctive cultures to more specific organizational and administrative differences—and successful implementation will depend on mutual understanding of and respect for these differences. It will depend critically on sustained attention by the managements of the two institutions, with whom primary responsibility for Bank-Fund collaboration will continue to rest.

PREM and PDR, in collaboration with other units, will prepare periodic progress reports, highlighting emerging examples of good practice as well as problem areas that need further attention. An interim report will be prepared for the two managements in time for the 2008 Annual Meetings, as a basis for taking stock of implementation efforts to date. The first progress report for the two Boards will be prepared in time for the 2009 Annual Meetings. Subsequent reporting arrangements will be determined in due course.

I. INTRODUCTION

1. **In March 2006, the President of the World Bank and the Managing Director of the IMF commissioned the External Review Committee on World Bank-IMF Collaboration to take a fresh look at the status of institutional collaboration**.[1] The Committee's report, released in February 2007, identified examples of good cooperation between the two institutions while highlighting the scope for improvements in a number of areas. It called for the strengthening of the culture of collaboration, and made proposals for improving Bank-Fund collaboration in the two institutions' country and thematic work.

2. **This Joint Management Action Plan (JMAP) was prepared by a joint Bank-Fund staff team in the names of and approved by the managements of the two institutions**. The work of the staff team focused on the External Review Committee's report and related issues. In so doing, it restricted its scope to the recommendations of the External Review Committee's report that fall within the purview of management. The Committee's report also made recommendations that relate to the governance of the two institutions. These issues are not addressed in the JMAP.

3. **All JMAP actions are considered to be consistent with the applicable policies of the two institutions, including those governing issues of confidentiality**. In line with standard practice, managers and staff of the two institutions will be responsible for ensuring consistency of implementation with policy. To the extent that implementation of aspects of the JMAP would require Board decisions on policy changes (such as modifying the JSAN), subsequent Board papers will include proposals for such decisions.

4. **The paper is organized as follows**. Following this introductory section, Section II provides a brief outline of the background to, and context for, the JMAP. Section III briefly summarizes the findings of the staff work program—including a staff survey, joint staff working groups ("work streams") on six topics, and a high level retreat—commissioned to explore options for following up on the Committee's report. Section IV outlines the priority elements of the JMAP, with detailed undertakings set out in Table 1. Section V discusses issues related to implementation and monitoring. Annexes also provide background on the staff survey; the reports of the six joint work streams; and background on the retreat.

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[1] Review Committee members comprised the Committee's Chairman, Pedro Malan, Chairman of the Board of Unibanco and a former Minister of Finance of Brazil; Michael Callaghan, Executive Director of the Australian Treasury's Revenue group and a former IMF Executive Director; Caio Koch-Weser, Vice Chairman of Deutsche Bank, Germany's former Deputy Finance Minister and a former World Bank Managing Director; William McDonough, Vice Chairman of Merrill Lynch and a former President of the Federal Reserve Bank of New York; Sri Mulyani Indrawati, Indonesia's Minister of Finance and a former IMF Executive Director; and Ngozi Okonjo-Iweala, Nigeria's former Foreign and Finance Minister, and a former Vice President and corporate Secretary of the World Bank Group.

II. BACKGROUND AND CHANGING CONTEXT

5. **The Report of the External Review Committee is the latest in a long series of efforts to ensure that the two institutions work together as effectively as possible**. The World Bank and the IMF have worked together since their creation at the Bretton Woods Conference in 1944, periodically reviewing the effectiveness of their collaboration to identify areas for improvement.

6. **In the course of several discussions of the External Review Committee's report, Executive Directors of the two institutions generally agreed with its thrust and called for reinforcing the "culture of collaboration**."[2] They noted, however, that a number of recommendations dealing with broader elements of institutional governance were for shareholders to consider—rather than managements and staff—and accordingly these were not considered in this paper.

7. **The April 2007 International Monetary and Finance Committee (IMFC) and Development Committee meetings looked forward to managements' proposals in the area of Bank-Fund collaboration**.[3] The IMFC welcomed the report's message that a culture of close cooperation between the IMF and the Bank was "key to delivering services to members more effectively and efficiently." The Development Committee said that Ministers looked "forward to hearing from the two institutions about concrete proposals to foster a culture of collaboration."

8. **The JMAP outlined here builds on past efforts to strengthen collaboration**. In keeping with the recommendations of the External Review Committee, the JMAP does not seek to revise the 1989 Concordat on Bank-Fund Collaboration, and instead uses it as a basis on which to improve further the ways in which the two institutions interact.

A. Changing Context for the Fund

9. Twenty first century globalization adds new challenges, and in response the Fund has continued to adapt to help promote international monetary stability and serve its members more effectively. Relatively benign global economic and monetary conditions in the last few years, substantial debt relief under the Heavily Indebted Poor Country (HIPC) and Multilateral Debt Relief (MDR) Initiatives, and improved policies in many countries have provided an opportunity to reflect on how the Fund should continue to evolve in the period ahead to best meet the needs of the international community. Guided by its Medium-Term Strategy (MTS), the Fund has been strengthening surveillance of individual

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[2] The findings and recommendations of the External Review Committee were presented to the Executive Boards of the IMF and the World Bank at a joint informal briefing on February 27, 2007. They were discussed further during informal Board meetings, in the Bank on March 15, and in the Fund on March 27.

[3] See April 14, 2007 IMFC communiqué and April 15, 2007 Development Committee communiqué.

members' economies and of the global economy; finding more effective ways to engage with low- and middle-income countries that may not need Fund financing; sharpening its advice to low-income countries seeking to manage macroeconomic challenges related to aid flows and make progress toward poverty reduction and the Millennium Development Goals (MDGs); putting greater emphasis on financial sector work; and seeking to enhance governance of the Fund.

10. **These changes, with the Fund seeking to identify its priorities more clearly and ensure appropriate focus on its core mandates and competencies, have implications for all Fund partnerships, in particular that with the World Bank**. To strengthen its engagement, particularly at the country level, while increasing its focus, the Fund will need to rely where appropriate on effective sectoral inputs and analysis from the Bank and other agencies with more direct expertise and comparative advantage. Drawing on the expertise of the Bank in such areas can improve growth forecasts while Bank work on Poverty and Social Impact Analysis (PSIA) can aid in program design.[4]

B. Changing Context for the Bank

11. **The changing global landscape has affected the Bank's business model as well, especially for its work in supporting growth and poverty reduction in middle-income countries (MICs), which now have improved access to financial resources**. In the context of these changing conditions, the Bank is offering to MICs a broader array of services than its traditional lending and analytic products. Recent country partnership strategies have emphasized engagement areas independent of lending as well as fee-based analytic services in some cases. Thematic emphases have included, for example, sub-national lending, and support for pension reform, health system reform, and financial sector reform, as MICs have sought to modernize their systems and safety nets to meet the challenges of globalization.

12. **For low-income countries (LICs), the Bank—through its IDA concessional resource window—remains focused on helping countries to increase growth and reduce poverty as essential ingredients for achieving the Millennium Development Goals, using its full range of products and services**. In the context of an increasingly complex and fragmented donor environment, IDA's financing, policy advice, and global knowledge enable it to act as a unifying force, helping countries to manage their aid inflows and to improve the coordination of cooperation partners.[5] Meanwhile, its modernized policies have enabled it to play an increasingly constructive role in responding

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[4] The importance of such inputs was recognized in: IEO-IMF (2007), *The IMF and Aid to Sub-Saharan Africa*.

[5] See IDA (2007), *The Role of IDA in the Global Aid Architecture: Supporting the Country-Based Development Model.*

to emergencies, even as it has continued to help countries to consolidate their economic and institutional reforms, promote shared economic growth, and upgrade service delivery.

C. Changing Context for Bank-Fund Collaboration

13. **As the Bank and the Fund have changed, so has the nature of the collaboration between them, and the needs of members for it**. The External Review Committee's work was commissioned precisely to help identify ways in which the two institutions could better respond to—and anticipate—those changing needs. Having received the Committee's report, the two institutions have spent some time deliberating over it, as a prelude to determining the appropriate course of follow-up actions. To assist in those deliberations, a program of joint staff work was commissioned, as described in the next section, to provide input to the JMAP itself, which is set out in Section IV.

III. STAFF FOLLOW-UP ACTIVITIES

14. **The follow-up work on the findings and recommendations of the External Review Committee built on three work strands that were carried out by joint Bank-Fund staff teams**. Very briefly described below and elaborated on in Annexes A-C, those work strands were: (i) a survey of Bank country directors/managers/senior staff and Fund mission chiefs/resident representatives/senior staff; (ii) joint Bank-Fund work streams to explore six areas arising from the External Review Committee; and (iii) a high-level staff retreat on July 19 that discussed the results of the survey and the work streams, as inputs into the JMAP. These inputs into the JMAP found that collaboration in general has worked well and pointed to specific steps to improve Bank-Fund interaction without adding bureaucratic layers.

A. Staff Survey

15. **This generally positive picture of collaboration was broadly confirmed by the staff survey**.[6] Significant majorities of staff respondents from both institutions reported that Bank and Fund teams have developed a shared perspective on policy reforms, agreed on a division of labor and areas of shared responsibility, and sufficiently covered reform areas (see Annex A).

16. **But there was less agreement on nitty-gritty issues, with problems identified in several areas**. These include disconnects on the provision and receipt of timely work-program inputs from counterparts in the other institution, where the survey results suggest varying degrees of dissatisfaction among Fund staff working on LICs and Bank staff working on MICs.

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[6] Survey responses were received from country teams covering more than 100 countries. Annex A provides detailed information on the survey, including an analysis of the specific questions and responses .

17. **The survey results generally corroborated the External Review Committee finding that collaboration receives little institutional support—and is driven largely by individual initiative and relationships—though there was no appetite for centrally controlled bureaucratic processes to compensate**. Survey questions asked staff about factors promoting, and impeding collaboration. On the promoting side, majorities of respondents cited good personal chemistry between country teams, regular dialogue, information sharing, and open communications. On the impeding side, they identified little institutional support for collaboration, specifically citing what they saw as a lack of incentives and resources for collaboration, as well as organizational differences in modes of operation and delegation of authority.

B. Work Streams

18. **Complementing the survey analysis, six joint staff work streams were established to examine the recommendations of the External Review Committee and considered the scope for forward action**. Co-chaired by senior Bank and Fund staff members, the work streams covered: country issues, the financial sector, fiscal, technical cooperation, human resources, and internal processes. Each of the work streams started with the Committee's findings and recommendations and considered whether and how the underlying concerns might be best addressed (see Annex B[7]).

19. **To ensure that all relevant perspectives of the External Review Committee's findings and recommendations received adequate consideration, several topics were addressed by more than one work stream**. For example, the Country Work Stream took up the issue of systems for requesting and delivering cross support to the other institution, from the perspective of country team members; the same issue was addressed in a complementary manner by the Internal Processes Work Stream, which looked at the issue from an institutional perspective. Both work streams also considered the question of conflict resolution mechanisms and, in turn, the role and future of the Joint Implementation Committee (JIC), which the External Review Committee had recommended strengthening. Similarly, the Technical Cooperation Work Stream considered technical assistance on the financial and fiscal sectors, which also were respectively considered by the Fiscal and Financial Sector Work Streams.

20. **One topic raised by the External Review Committee—on the Joint Staff Advisory Note (JSAN) associated with Poverty Reduction Strategy Papers (PRSPs)—was discussed separately, although in close coordination with the Country Work Stream**. The Report of the External Review Committee cautioned against excessively bureaucratic processes while ensuring "constructive engagement in support of a country's strategies". The Bank and Fund subsequently launched a working group in Spring 2007 to

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[7] The reports of the six works streams are attached in Annex B.

jointly re-visit the arrangements for JSANs and for Bank-Fund reviews of PRSPs and Progress Reports more generally. The group has tentatively agreed upon a proposal that would involve retaining the JSAN for the full PRSP, while replacing the JSANs for Annual Progress Reports with feedback mechanisms rooted in country processes. Internal consultations on the proposal are underway; external consultations on the proposal and related issues are to be launched at around the time of the Annual Meetings.

C. Retreat

21. **The recommendations of the work streams drew general support at the high-level retreat, albeit with qualifications in some areas**. The retreat provided an opportunity to test hypotheses and exchange views—both across work streams and between broader groups of Bank and Fund managers and staff. The attendance of the President of the Bank and of the IMF's Managing Director underscored the relevance of the ongoing efforts to promote a "culture of collaboration" between the institutions. Presentations were made by the Bank and Fund co-chairs of each of the work streams, followed by questions and answers from the floor and follow-up discussion. Participants generally agreed with the issues raised by the work streams and the proposals to remedy them. In particular, there was support for the need to focus on increasing accountability while avoiding formal bureaucratic structures (see Annex C for details on the retreat).

IV. JOINT MANAGEMENT ACTION PLAN

22. **The three work strands provided a comprehensive perspective on the findings and recommendations of the External Review Committee and led to a broad consensus within and between the two institutions on the priorities for moving ahead**. The main elements agreed by the six work streams and on which consensus developed at the retreat are described in this section, with a more detailed implementation matrix included in Table 1. The recommendations can be grouped into three broad priority areas:

> (i) **improve coordination on country issues**—through new procedures for country team coordination including regular meetings on work programs, agreement on instruments and division of labor, and new systems for requesting and tracking inputs from the other institution;
>
> (ii) **enhance communications between the staff of the two institutions working on common thematic issues**—through new electronic platforms for the sharing of focal point names, documents, mission schedules, and other information among staff in the two institutions working on the financial sector, fiscal issues, and technical cooperation; and
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> (iii) **improve incentives and central supports for collaboration on policies, reviews, and other institutional issues**—through new procedures for reflecting collaboration in staff and managerial performance reviews; and the replacement of the Joint Implementation Committee by an information and monitoring clearing-

house function anchored in PREM in the Bank and PDR in the Fund, which also will manage the institutional systems for cross-support.

A. More Systematic Coordination on Country Issues

23. **Maintaining "country focus" in the two institutions' work and anchoring coordination at the country level are essential for improving collaboration as are the recognition of the importance of country ownership and cooperation with other donors and partners**. Different models for engagement in different areas by the two institutions provide important context for improved collaboration at the country level, especially: the Fund's independent role in surveillance of all of its members and the country-based development model, used by both institutions, which recognizes independent analysis and advice. For the development model, the foundation of the World Bank's and IMF's policy advice and supportive activities is a country-led and country-owned policy framework covering the range of macroeconomic and sectoral policies and institutions required for sustained growth and poverty reduction. That framework recognizes the country as the central player in setting priorities for the provision of program, project, and capacity-building support by donors, multilateral institutions, and others, according to providers' comparative advantage. Within this broader division of labor, the Bank and the Fund collaborate with each other in playing their respective roles.

24. **In this context, the Country Work Stream focused on the processes whereby Bank and Fund country teams coordinate their diagnostic and other efforts**. Echoing the findings of the External Review Committee and the staff survey, it found that current coordination arrangements were unsystematic, with considerable *ad hoc* variation across countries. In considering the scope for possible improvements, the work stream started with the Bank-Fund "Concordat", which had been agreed by the World Bank President and the IMF Managing Director in 1989 and which set out the operational division of labor between the two institutions—both the areas of primary responsibility as discussed below and the areas of shared responsibility, such as for public financial management.[8]

25. **The Fund has the primary responsibility to provide short-term macroeconomic analysis and related policy advice to governments**. The Fund should share its macroeconomic projections and data, and Fund staff should discuss their projections/analysis at an early stage with Bank staff. In a similar vein, the Fund will provide qualitative assessments based on the best available information as well as its latest data/analysis. The Bank relies to the extent possible on the Fund's analysis and monitoring, but undertakes macroeconomic work as part of its own due diligence for the purposes of its lending and to assess creditworthiness. Bank staff may request additional macroeconomic

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[8] See 1989 Concordat: Report of the Bank President and the Managing Director on Bank-Fund Collaboration (World Bank document SecM98-733 and IMF document SM/98/226), September 4, 1998.

inputs from Fund staff to complement their own work on such issues as the impacts of scaled-up aid in LICs. The working rule would be that these inputs, including the timing of their provision, would be negotiated on a best-efforts basis.[9]

26. **The Bank has the primary responsibility on advising countries on development strategies, sectoral policies, public expenditure priorities, and poverty reduction**. This lead role, *inter alia*, sometimes generates requests from Fund staff for inputs on these aspects into their macroeconomic work and policy dialogue. To facilitate effective and orderly planning, Fund teams should better anticipate requests for analysis when they plan their annual work programs and share these requests with Bank staff as early as possible. Bank-provided analysis would be managed through Bank country units and provided on an agreed timetable. As regards unanticipated requests, the working rule would be that these inputs, including the timing of their provision, would be negotiated on a best-efforts basis.[10]

27. **In the event of differences, established procedures will be followed**. Based on the primary responsibilities outlined above and patterns of practice established over many years, it is expected that few differences will arise that cannot be resolved at the staff level or, if necessary, by the two managements. Should differences persist, however, the institution which does not have the primary responsibility would, except in exceptional circumstances, respect the judgment of the other institution.

28. **Against this background, the work stream also identified timing issues as a particular source of tension among country team staff, especially with respect to requests for and deliveries of work program inputs consistent with the agreed division of labor between the two institutions**. It found that this tension derived in part from the very different ways in which resources are managed in the two institutions—with the Fund highly centralized in its budget processes and the Bank highly decentralized. Going forward, both institutions need to do a better job of conveying their plans and requirements to the other institution early on, as well as formulating and communicating contingency plans about how unanticipated changes may affect deliveries in other areas and so on. More timely sharing of data, analytic frameworks, technical documents, briefing papers, and requests for inputs are also essential.

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[9] Such inputs would be delivered as agreed unless otherwise indicated via timely notification between the IMF area department director and the World Bank regional vice president.

[10] Such inputs would be delivered as agreed unless otherwise indicated via timely notification between the World Bank regional vice president and the IMF area department director.

29. **Monitorable actions include periodic meetings of the respective country teams to pool their analytic and diagnostic work, discuss macro-critical sectoral and other issues, and strategize over how best to sequence any needed analytic work**. (See Box 1 below for the list of specific country-level actions, and Table 1 for more detail). Box 1 applies to Bank and Fund country teams for all LICs and MICs, with the intensity of the teams' engagement on Box 1 issues scaled to reflect the nature of their work programs. Also, to contain costs, the sharing of information will rely on standardized templates to the extent possible, for example, experimenting with using the WEO format for the sharing of macroeconomic frameworks and data.

30. **New mechanisms for facilitating inputs from the other institution ("cross-support") will support and complement these efforts**. The lack of such systems at present is a serious impediment to effective collaboration and—in the end—a major source of irritation for staff in both institutions. To fill this gap in institutional systems, PREM and PDR have agreed to work with other Bank and Fund units to follow-up on the work streams' recommendations to develop systems and options for managing and resourcing requests for cross support from country teams that cannot be met from country budgets. The initial focus would be on: "topping-up" existing Bank analytic work; supporting complementary work in underfunded Bank country programs, particularly on fragile states and small LICs; and supporting rapid responses to urgent *ad hoc* requests. The follow-up work is to also include the design of electronic templates for requesting cross support and for tracking progress and deliveries—regardless of funding source—to ensure a simple user interface, so staff can focus on addressing substantive challenges rather than bureaucratic processes.

Box 1: Key Country-level Actions

√ As approved by their respective area department directors and regional vice presidents, IMF mission chiefs and World Bank country directors (or other formally designated interlocutors) have responsibility to:

- o discuss Bank/Fund work programs at the country level (including technical assistance), at least once a year;
- o agree on key country level instruments, macro-critical sectoral issues, division of work and assignment of responsibilities, inputs by each institution into the other's work and unfilled gaps—with a summary of these country-level agreements reported to both Boards in relevant documents, replacing the existing annex in Fund documents on World Bank assistance; [11]
- o routinely share—subject to both institutions' confidentiality requirements—documents (including drafts for review), data, and analytic frameworks/models—with the objective being the sharing of all final documents unless the country authorities object.

√ Early signaling of needed inputs to allow orderly planning—for example, Bank needs for Fund assessment letters and macroeconomic analysis; and Fund needs for Bank analytical work on public expenditure and sectoral issues.

√ Efforts to resolve differences at lowest level possible, with escalation through line management.

B. Better Communications on Thematic Issues

31. **Communications across a range of thematic issues need to be further enhanced**. This core recommendation of the External Review Committee was a recurring theme of the retreat. It was highlighted in the deliberations of each of the three thematic work streams: financial sector, fiscal, and technical cooperation. A defining aspect of improved communications for these work streams is that for the most part, the information is already available on one side of 19th Street; the challenge lies in ensuring its timely availability to those who need it on the other side.

32. **The baselines for improving communications differ widely across the three thematic areas.** Work on **financial sector** issues already exhibits considerable cohesion and communication among managers and staff that transcend institutional borders, a by-product of the jointly managed Financial Sector Assessment Program (FSAP). Work on **fiscal sector** issues which benefits from a shared professional orientation but is more

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[11] For the IMF, the relevant reports are the Staff Reports on Article IV Consultations, Use of Fund Resources, and the Policy Support Instrument. For the World Bank, relevant reports include Country Assistance Strategies, Country Partnership Strategies, and President's Reports for Development Policy Loans and Credits, including Poverty Reduction Support Credits. Work program details will be retained in the files as a basis for facilitating follow-up and preserving institutional memory—and for JMAP monitoring.

heterogeneous than the financial sector, covering a broad array of issues including public financial management, tax policy and administration, customs administration, revenue transparency, fiscal decentralization, and fiscal space. Finally, **technical cooperation** employs very different business models in the Bank and the Fund, and in any case is a collection of different thematic areas, including the financial and fiscal sectors, and also statistics.

33. **These differences notwithstanding, the thematic areas independently arrived at three common priority actions for moving forward—as well as a number of theme-specific priorities described later**. The shared priorities are:

- **primacy of country focus** (as in the country work stream above) in the prioritization of work programs and the coordination of mission schedules;
- the **identification of focal points** in their respective areas as a cornerstone of improved communications—one of the many good-practice lessons emerging from the financial sector; and
- the **establishment of web portals** for the sharing of documents and other information.

Members of the three work streams will be asked to take forward work on these topics. They will be supported by colleagues the Bank's Information Solutions Group and in the Fund's Technology and General Services Department on the design and launch of the necessary electronic platform for implementation (with password protection, as appropriate to preserve confidentiality, for example, on FSAP issues) and for facilitating monitoring.

34. **For the financial sector, whose collaborative efforts were praised by the External Review Committee, the JMAP's specific focus is on taking the existing cooperation to the next level**. As set out in Box 2, this involves an enhanced role for Financial Sector Liaison Committee (FSLC), which will now take on greater responsibility with respect to collaboration on financial sector issues, working closely with area department and regional colleagues.

35. **The fiscal sector's action plan emphasizes bread-and-butter issues associated with the timing and coordination of missions, as well as more substantive engagement via increased sharing of and commenting on draft documents**. The latter include concept papers for Bank economic and sector work and technical assistance and for Fund surveillance agendas and fiscal strategy briefs. These new processes are intended to enhance Bank-Fund discussion of the interface between macro-fiscal and expenditure composition issues and thereby improve the quality of both institutions' fiscal work (see Box 3).

Box 2: Key Financial Sector Actions

√ Steps to strengthen integration of country and financial sector work, including:

- ○ Area Departments and Regions lead, in line with country focus
- ○ Better integration of financial sector development issues in FSAPs
- ○ Greater sharing and input into each other's documents and work

√ Broaden FSLC's remit while avoiding additional bureaucratic layers

- ○ Improve information sharing on technical assistance strategies and work programs
- ○ FSLC to act as umbrella for coordination in financial sector areas

√ FSLC will provide inputs to review of FSAP—including shift to updates

- ○ FSAP to address challenge of new Basel framework and other evolving standards
- ○ Financial sector development content to be enhanced

√ Improve collaboration on technical assistance strategies and knowledge management/sharing

Box 3: Key Fiscal Sector Actions

√ Steps to strengthen macroeconomic and fiscal composition work, including:

- ○ Area Departments and Regions lead, in line with country focus
- ○ Common understandings, longer-term focus, integration of Bank advice on spending priorities to improve quality of fiscal adjustment
- ○ Greater sharing and input into each other's documents and work (Bank country assistance and partnership strategies, economic and sector reports; and Fund briefing papers and staff reports and fiscal strategy briefs; and PSIAs)
- ○ Bank country strategies and budgets to continue to provide the basis for Bank resource allocation for fiscal work, but with greater upstream engagement by Fund
- ○ Bank input on MIC Debt Sustainability Analyses (DSAs) and the use of DSAs for long-term fiscal strategy that underpins both Fund and Bank advice

√ Steps to strengthen technical assistance work:

- ○ Establish fiscal focal points of contact in each Bank Region
- ○ Share mission and planning documents; encourage cross participation in missions
- ○ Establish more systematic procedures to share Fund technical assistance reports
- ○ Coordinate ROSC/PEFA work and timing

√ IMF Statistics Department to target technical assistance to country pilots, pursuant to improvement in the functional classification of expenditures, subject to the availability of additional resources

36. **Two points on technical assistance—on possible distortions and on the sharing of final reports—warrant special attention**. First, the External Review Committee had pointed to possible pricing distortions in the two institutions' delivery of technical assistance. Following up on this concern, the Technical Cooperation Work Stream found that pricing was not a significant factor causing distortions in the delivery of technical assistance, but that there was a need for greater communications and coordination between managers of technical assistance in the two institutions. On technical assistance for debt management, where there had earlier been a problem, coordinated and ongoing effort by Bank and Fund managers had subsequently and satisfactorily addressed it—although clearly a continued close watch will be required.[12] Second, the Fund will put in place procedures for the more systematic sharing of its technical assistance reports and other technical assistance-related documents. Sharing of technical assistance reports with the Bank has been uneven due to a wide-spread lack of knowledge about the Executive Board policy on the dissemination of technical assistance reports to the Bank.[13] The policy recognizes and supports the long-standing practice of exchanging technical assistance reports. Key actions designed to enhance collaboration on technical cooperation are outlined in Box 4.

Box 4: Key Actions on Technical Cooperation

- √ Collaboration on technical assistance led by country teams.
- √ Establish clearer procedures and more formal structures between technical assistance providing departments
    - o Identify contact points for technical assistance areas at the level of Networks and Regions in the Bank and technical assistance departments in the Fund
- √ Create a platform to share information
    - o Create web portal with contact lists and access to technical assistance documents
    - o Pursue the more systematic sharing of technical assistance reports by the Fund and the routine provision of standard project and mission documents by the Bank.

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[12] The Technical Cooperation Work Stream found that in recent months, Bank and Fund departments providing technical support for debt management have instituted a regular program of coordination, which was recently discussed with the two Boards. See IMF and World Bank (2007), "*Strengthening Debt Management Practices: Lessons for Country Experiences and Issues Going Forward*."

[13] See IMF, *2000 Policy Statement on IMF Technical Assistance*, March 24, 2000.

C. Strengthened Incentives and Central Institutional Supports

37. **The above steps on country and thematic work will go a long way to setting the stage for improved collaboration. But they will not do the entire job**. Indeed, as spelled out below, the need to take broader institutional steps is clear—in some cases in line with the recommendations of the External Review Committee and in some cases not. But either way, the priority highlighted by the Committee remains, and that is the overarching need to improve collaboration. To that end, continued progress will require sustained leadership underpinned by effective institutional supports and monitoring.

38. **In the critical area of Human Resources, there is need for better reflection of collaboration in staff and managerial performance assessments and actions to promote mobility between the two institutions**. This can build on the recent decision to restore the portability of pensions for staff transferring between the two institutions. Going forward, the human resources departments of the two institutions will be asked to prepare, in consultation with other units, implementation plans for taking forward the key actions set out in Box 5, and for costing their implementation for consideration in FY09 budgets.

Box 5: Key Human-Resources Actions

- √ Routinely solicit feedback from the sister institution for use in staff/managerial performance assessments for staff/managers expected to collaborate.
- √ Open internal vacancies to the sister institution and list vacancies on each other's web sites.
- √ Establish a secondment/external service exchange program based on institutional needs, subject to the availability of additional resources
- √ Strengthen merit assessment for staff on secondment/external service to sister institution.
- √ Recognize value of experience in sister institution in making promotion decisions.

39. **Enhanced collaboration will also require institutional support on a number of policy and practical fronts, many raised by the External Review Committee**. Careful consideration was given to the Committee's recommendation to revitalize the JIC. But after reviewing current arrangements in the Bank's Regions and the Fund's Area Departments, a more nimble arrangement has emerged as a better approach, more suited to the business practices of today. This, along with other key actions (see Box 6) will provide a solid basis for enhancing collaboration. PREM and PDR will remain as the responsible units to assess institutional coordination and related issues. They also will manage the institutional systems for cross-support discussed earlier.

Box 6: Key Institutional Actions

- √ Replace Joint Implementation Committee (JIC) with information and monitoring clearing-house function anchored in PREM and PDR
  - o Provide web resources for staff
  - o Coordinate reports to management identifying best practices
  - o Central information sharing and policy coordination, including for key institutional meetings
  - o Maintain PREM-PDR policy link to assess and trouble-shoot coordination problems and to facilitate senior management follow up.
- √ Examine review schedules for joint country products and establish good-practice standards for review of non-joint products (for example, inclusion in review meetings, commenting on briefs, and so on)
- √ Develop pilot to manage/fund requests for additional Bank analytic work (for example, further analysis of aid and/or public expenditure composition or PSIA)
- √ Improve information sharing through providing Bank staff access to Fund intranet and providing Fund staff access to Bank document indexes
- √ Explore scope for enhancing:
  - o joint training possibilities in fiscal and financial sectors
  - o co-location / facility sharing in the field
- √ Continue to develop coordinated crisis response capacity

V. MOVING FORWARD

40. **Taken together, the above actions should lead to improvements in coordination and communications between the two institutions, thereby nurturing the culture of collaboration in both**. Of course, important differences will remain between the two institutions—from their distinctive cultures to more specific organizational and administrative differences—and successful implementation will depend on mutual understanding of and respect for these differences. It will depend critically on sustained attention by the managements of the two institutions, with whom primary responsibility for Bank-Fund collaboration will continue to rest.

A. Implementation and Monitoring

41. **The JMAP seeks to achieve better collaboration efficiently and transparently**. It aims to set in motion behavioral changes designed to translate existing *good-practice* approaches to collaboration into *standard* practices. Key drivers are institutional support for implementation and enhanced monitoring, with its recommendations designed to require as little new bureaucracy as possible and with the cost of proposals clearly identified.

42. **Systematic implementation and monitoring of the JMAP will be facilitated by the establishment of dedicated portals and electronic platforms supporting the sharing and retrieval of information, building upon existing systems**. The new systems also will help to improve the timeliness of Bank-Fund review processes by providing a vehicle for rapid retrieval by the correct staff members of drafts sent to the other institution for comments.

43. **Building on these implementation supports, the JMAP envisages a two-pronged approach to monitoring, relying on collaboration data tracked by the portals, once established, and periodic self-assessments by units within both institutions**. The portal records will provide a data base on various aspects of collaboration and coordination, including: minutes of meetings between country teams on critical macro-sectoral and work program issues; information on exceptions and complaints about non-delivery on work program agreements; and numbers and profiles of staff requesting documents and information. Also, qualitative self assessments will be prepared by units within both institutions, timed to inform the periodic reporting to the two managements and Boards.

44. **The most visible JMAP cost items are: (i) the establishment of the portals and the electronic platforms; and (ii) the increase in cross support between the two institutions**. Preliminary analysis suggests that the costs of the basic portal functionalities will be relatively small, as they build on the two institutions' existing systems and designs. On cross support, work will soon be launched to estimate its likely magnitude and to identify possible funding sources, from within the two institutions and outside. This issue will be addressed in the two institutions' FY09 budgets, which also will address the funding for other JMAP elements. Meanwhile, it is expected that staff time for requesting/sharing/retrieving information from the other institution will decrease under the JMAP; this assumption will need to be tested once the new systems take shape. To the extent that duplication and overlaps can be reduced—a goal of better collaboration—further cost savings could potentially be realized.

B. Next Steps

45. **The plan is to launch the JMAP initiative immediately after the Annual Meetings, with requests for cross support and other time-sensitive issues to be implemented in time for the FY09 budget and discussions and related work-program planning**. PDR and PREM, will prepare periodic progress reports in collaboration with other units. An interim report will be prepared for the two managements in time for the 2008 Annual Meetings, identifying emerging good practices as well as problem areas that need management attention. The first progress report for the two Boards will be prepared in time for the 2009 Annual Meetings. Subsequent reporting arrangements will be determined in due course.

Table 1: Joint Management Action Plan Implementation Matrix: Follow-Up to the Report of the External Review Committee

PROPOSAL OR PRINCIPLE SET OUT IN EXTERNAL REVIEW COMMITTEE REPORT		PROPOSED IMPLEMENTATION/ACTION[1]
		Country
1. The Bank, the Fund and other development parties should agree on what issues are 'macro-critical' for each country and who is responsible for what (including in the context of CASs/updates).		➢ For each country in which Bank and Fund are both active, primary responsibility for coordinating work programs to reside with Fund mission chief and Bank country director (or other interlocutor assigned by respective Area Department/Region). ➢ At least once a year, in time to influence upcoming work programs, they will: (i) discuss key country-level instruments as basis for coordinating work programs; (ii) identify macro-critical sectoral issues, assign lead responsibilities for these areas, and identify gaps, with this process underpinning annual work plans and prioritization of technical assistance programs; and (iii) share details on likely input requirements from other institution. ➢ Outcome of work program discussions to be summarized in brief memo to files, with matrix of activities and resource implications attached. (i) Once vetted by area department director and regional vice president, summary of macro-critical sectoral issues and sharing of responsibilities to be reported to Bank and Fund Executive Boards in relevant documents. (ii) Above to replace existing annex in Fund documents on World Bank assistance. ➢ Country teams to routinely: (i) invite Fund mission chief/Bank Country Director/regional PREM sector manager/lead economist to interdepartmental pre-brief meetings; (ii) provide post-mission debriefings; (iii) share drafts of briefing papers, staff reports, and technical documents for review and comment.
2. Work on macroeconomic stability and the aggregate effects of aid, including increased aid flows, must take into account what is happening at the sectoral level. The Fund should rely on the Bank for sectoral assessments.		➢ Bank staff to share sectoral data and analytic models (underlying Bank analysis) with Fund staff within a reasonable time when requested. ➢ Fund teams to better anticipate requests for Bank analysis and register these requests with Bank staff as early as possible, to facilitate work planning. ➢ Requests for and delivery of Bank-provided analysis to be managed through Bank country units. ➢ Unanticipated requests, including timing of their provision, to be negotiated on best-efforts basis and delivered as agreed.

3. Since the Bank has responsibility for analyzing sectoral aspects of public expenditure, and the Fund should have regard to the quality of public expenditure when considering fiscal aggregates, it is essential that the Bank is in a position to provide the Fund with timely advice, for example, through undertaking Public Expenditure Reviews.		PREM/PDR (in consultation with other units) to develop cross-support window to manage formal requests from the Fund for analytic work from the Bank in four areas—"topping-up" existing analytic work; ensuring complementary work in under-funded country programs; PSIAs; and rapid response for unanticipated requests and emerging problems. To this end, they should: (i) examine the feasibility and plausibility of various funding sources—from the Bank's budget, the Fund's budget, and/or donors via a trust fund; and (ii) provide recommendations for rationing in the face of possible excess demand, building on existing prioritization mechanisms in the Bank and the Fund. ➢ As enhanced resources for cross support in sectoral areas will need to be translated into professional skills to carry out the incremental work, Bank Networks (PREM, Sustainable Development and Human Development) to review their professional skills mix, especially for analyzing the sectoral/macro interface of aid and public expenditures as it affects the economy's supply-side response and growth prospects.
4. The Fund has to … provide the Bank with comprehensive macroeconomic assessments of all countries, including small economies and micro-states, and not only those with a Fund program.		➢ Fund staff to provide in timely manner formal assessment letters (or recent Board documents if available), cleared by management, pursuant to IMF Assessment Letters Policy, upon request from Bank staff. ➢ ➢ Fund staff to share data and macro frameworks (including underlying analytic models) with Bank staff within a reasonable time when requested.
5. Delineation of lead responsibilities should not be based on a country's income level [but] around central issues and the involvement of the Bank or Fund in a country should depend on a country's views of its needs and circumstances and the relative expertise of the institutions.		➢ Agreed. Principle underpinning #1-4 above. No further action.
6. The Bank and the Fund need to better coordinate the delivery of all forms of technical assistance. The objective of technical assistance should be on capacity and institution building in the recipient country and must be responsive to the needs of the country. Whether technical assistance is provided by the Bank or the Fund should depend on the relative		➢ Bank and Fund country teams to consult as they prepare their annual work programs, including for technical assistance and capacity building. plans. Fund to share, for example, Regional Strategy Notes, Regional Allocation Plans, Fiscal Strategy Briefs (FSBs) and Financial Sector Strategy Notes. Bank to share CASs and Interim Strategy Notes (including medium-term plans for analytic work) and annual country work programs for economic and sector work and analytic and advisory activities. ➢ Each institution to respond promptly to important country priorities, with emphasis on timely delivery. Mid-year review of work programs and operational budgets would offer such an opportunity, but some resources should be set aside ahead of time to handle urgent and high-priority country demands.

expertise of the institutions. There should be no 'distortions' in either the demand or delivery of technical assistance as a result of different funding arrangement, nor the 'pricing' of technical assistance by either institution.		➢ When work program is changed, other institution to be notified promptly. Similarly, Bank and Fund TA reports should also be provided to the other institution (at least in draft form) within 90 days after conclusion of field work. (* See Technical Cooperation stream for collaboration on thematic issues)
		Financial Sector
7. Financial Sector Liaison Committee (FSLC) should be given an elevated status, …mandate widened to promote collaboration on all financial sector issues, including being specifically empowered to better coordinate technical assistance to member countries		➢ Bank and Fund to: (i) enable better knowledge management and information sharing utilizing electronic platforms, with posted material to include: regional financial sector strategy notes and work plans; mission schedules, guidelines, terms of references for financial sector technical assistance missions; and (ii) collaborate on development of shared financial sector indicators, and databases resulting from joint assessments and other work. ➢ FSLC to: (i) elevate one/two meetings per year to Fund MCM director and Bank FPD vice president. (ii) act as umbrella for other financial sector coordination activities, such as for asset/liability management and capital market development; (iii) test new processes for sharing information on financial sector technical assistance strategies; . (iv) renew practice of sponsoring meetings of Bank-Fund teams to discuss technical assistance follow-up for countries recently completing FSAP assessments; (v) establish subcommittee to review FSAP policies and practices and provide input to 2009 Board review of FSAP program; and (vi) coordinate ongoing efforts to assess implications of recent revisions to Basel Core Principles and possible revisions to other standards for FSAP assessments and joint paper being prepared.
8. … the delineation of areas of responsibility for financial sector issues should not be based on …a country's income levels. … endorses the IEO recommendation that the Fund take the lead where there are significant domestic or global stability issues, and the Bank … where financial sector development issues are paramount.		➢ Action already under implementation as part of follow-up to IEO Report.

		Fiscal
9. Improved integration and harmonization of work on fiscal issues. … In terms of 'fiscal space', there should be no suggestion that there is a trade-off between short-term stability and long-term growth. …integrated Bank–Fund approach to fiscal policy design that integrates the macro and compositional issues in determining stable fiscal positions. Fund cannot focus on macroeconomic stability and fiscal aggregates, without regard for the sectoral level. …Important that the Bank provide the Fund with timely inputs on efficiency and effectiveness of countries' public expenditure programs.		➢ Bank to: (i) use CAS process to establish broad priorities for analytic work on fiscal issues (including PSIA), for follow-up resource allocation in annual budgets, with Fund staff providing inputs into CAS process, including suggesting areas for analytic work. (ii) use economic and sector work products to define broad strategic goals for fiscal policy, with explicit goal to strengthen analysis of fiscal policy and growth over time; (iii) provide Fund staff with concept notes and related documents for economic and sector work and seek comments; and (iv) monitor collaboration on fiscal sector issues through PREM thematic groups. ➢ Fund to: (i) use briefing papers and existing staff reports to define macro-fiscal strategy for country, drawing on Bank inputs on fiscal compositional issues where appropriate; (ii) share with Bank staff draft Surveillance Agendas for comment and encourage discussion with Bank counterparts on Fund surveillance priorities in the fiscal area; (iii) share with Bank staff Fiscal Strategy Briefs (FSBs) and seek comments as they are updated, with FSBs currently produced by FAD to reflect Bank input to cover expenditure composition issues; and (iv) more systematically raise questions related to Bank/Fund coordination on fiscal sector issues in internal review process.
		Technical Cooperation
10 … The Bank and the Fund need to better coordinate the delivery of all forms of technical assistance. The objective of technical assistance should be on capacity and institution building in the recipient country and must be responsive to the needs of the country. Whether technical assistance is provided by the Bank or the Fund should depend on the relative expertise of the institutions. There should be no 'distortions' in either the demand or delivery of technical assistance as a result of different funding arrangement, nor the 'pricing'		➢ Bank and Fund country teams to: (i) consult as they prepare annual work programs for technical assistance and capacity building; (ii) identify priority items in other's work program on which they want close coordination, and gaps in combined work programs that should be filled; (iii) build in flexibility to respond promptly and on best-efforts basis to high priority but unanticipated technical assistance requests; (iv) elevate unresolved issues on technical assistance to periodic meetings between Bank Regional Vice President and Fund Area Department Director. ➢ Bank and Fund to: (i) create web portal on which up-to-date points of contacts and documents are posted, including terms of reference for technical assistance missions and planned activities in each country; (ii) Fund staff to put in place procedures for systematic and timely sharing of technical assistance reports and other technical-assistance-related documents; and (iii) Bank staff to put in place procedures for systematic and timely sharing of work programs for economic and sector work and analytical and advisory activities standard project and mission documents.

of technical assistance by either institution.		➢ Specific recommendations in Fiscal Sector: (i) roles and modalities for staff participating in other institution's missions to be clarified; (ii) for ROSCs and PEFAs, coordination and planning to be strengthened by sharing mission schedules, and through cross-participation in missions, with consultations on newly scheduled missions to increase; (iii) Bank staff to share concept notes (where they exist) and pre-mission documents for comments by Fund staff and Fund staff to share terms of reference for upcoming technical assistance missions with Bank staff and seek comments before finalization; (iv) consultation by Bank staff with FAD on large revenue administration reform projects to be more systematic; and (v) monthly coordination meetings of Bank/Fund staff working on public debt management and debt markets to continue, covering inter alia mission schedules (including with cross participation). ➢ Specific recommendations for Financial Sector (i) At country level, Bank regional sector manager to be formally designated as contact point for IMF staff on financial sector technical assistance issues. (ii) Collaboration on financial sector technical assistance and AML/CFT assessments to be enhanced by regularly inviting relevant staff from other institution to participate in planning meetings and sharing draft terms of reference and concept notes in advance of missions. ➢ Specific recommendations for Statistics (i) Bank and Fund to identify contact points for statistics in each region. (ii) Fund Statistics Department to provide advance notice of GDDS missions where Bank participation is needed, so Bank can secure resources.
		Human Resources
11. Collaboration should be a big part of staff performance assessments		➢ Routinely solicit staff and managerial performance feedback from sister institution. ➢ Improve performance assessment of staff on secondment. Each institution to ensure that full performance assessment by sister institution manager is obtained, to be taken into account in determining secondee's merit pay.
12. … any impediments in terms of different remuneration and retirement arrangements should be resolved. …eventually the convention should be that , wherever possible in terms of their professional discipline, staff moving into senior positions will have worked 'on the other side of 19th Street.'		➢ Remove administrative impediments to inter-institution mobility. (i) open internal vacancies to staff from sister institution; and (ii) advertise vacancies in each other's internal website, with "hotlinks" to direct staff to announcements in sister institution for selected internal vacancies and all external vacancies. ➢ Establish exchange program driven by institutional needs—subject to available resources—with assignments advertised exclusively in sister institution.

		Internal Processes
13. Joint Implementation Committee (JIC) on low-income countries needs to be revitalized, with focus on proactively promoting collaboration and a dialogue on countries and the appropriate exchange of information, consistent with applicable confidentiality rules.		➢ Replace JIC by information and monitoring clearing-house function—consistent with decentralized processes prevailing nowadays—anchored in PREM and PDR. PREM and PDR to: (i) establish/maintain web portal and help desk for staff on issues related to Bank-Fund collaboration; (ii) coordinate periodic reports to Management on current practices for managing Bank-Fund relationship, and on identification of good practices and policy or implementation issues that warrant institutional-level attention; (iii) ensure that each institution is aware of other's relevant policy initiatives to prevent failures of coordination during implementation; and (iv) coordinate substantive Bank-Fund agenda for, and follow-up to, Spring/Annual Meetings and other relevant international meetings (for example, UN development summits).
14. Strengthening the review function of PREM unit in the World Bank would allow it to more effectively work with the Policy Development and Review Department in the Fund in terms of facilitating collaboration between the two institutions in their dealings with low-income countries.		➢ In coordination with area departments and regions, PREM and PDR to examine review schedules as they apply to joint country products to see how both institutions' needs can best be met. Using help-desk function, PREM and PDR to assist country teams in advance planning and resolving operational issues that might arise. ➢ Replace current ad-hoc arrangements by clear statements of good practice. Periodic reports by PREM and PDR to review practice across regions and area departments, with recommendations for improvement to respective Managements.
15. Members should readily consent to the sharing of information with the other institution.		➢ For documents not already routinely shared between Bank/Fund staff, transmittal letters to authorities to indicate that, unless otherwise instructed, attached reports will be made available to other institution, which would agree to maintain confidentiality.
16. Continued close collaboration on debt sustainability assessments is vital given the expansion in the volume and source of funds available to LICs.		➢ To enhance usefulness of DSAs, Bank staff should be consulted by Fund staff on public DSAs for middle-income countries. ➢ Public DSAs to be integrated into long-term fiscal strategy that underpins both Fund and Bank advice to countries, and used to analyze particular fiscal policy issues.
17. Work…on how [Bank and Fund] would collaborate in responding to hypothetical crises – undertake 'war games'. … The design and implementation by the Bank and the Fund of new or expanded financing facilities and liquidity instruments to help countries face shocks should complement rather then duplicate each other.		➢ Both institutions to continue to take steps to ensure their ongoing preparedness to respond in coordinated manner in event of financial crisis, building upon lessons learned from past crises.

[1] In line with standard practice, managers and staff of the two institutions will be responsible for ensuring consistency of implementation with the applicable policies of the two institutions, including those governing issues of confidentiality policy.

Annex A: Staff Survey on Bank-Fund Collaboration

1. **To gauge staff views on collaboration and suggestions for improving it, PDR and PREM polled IMF mission chiefs and resident representatives and World Bank country directors and managers and chief economists**. The questionnaire solicited views on: (i) the extent of Bank-Fund collaboration; (ii) the effectiveness of collaboration in furthering objectives; (iii) the factors determining the effectiveness of collaboration; and (iv) ways to improve collaboration. Box A1 summarizes the views of staff respondents on ways of improving collaboration.

2. **Responses from one or more respondents covered 121 developing countries, including 72 IDA-eligible (low-income) countries out of a possible 82, and 49 IBRD-only (middle-income) countries out of a possible 59**. In total, 146 responses were received, comprising 98 from Fund staff, including 34 from resident representatives, and 48 from Bank staff. Bank responses covered 80 countries, reflecting that most Bank staff replied on behalf of more than one country, while Fund responses covered 99 countries, many of which overlapped with those covered by Bank staff. The overall response rates were 34 percent from Bank staff and 45 percent from Fund staff.[14]

3. **The survey asked about the extent of successful collaboration in three areas: developing a shared perspective on policy reforms, agreeing on a division of labor in areas of shared responsibility, and covering important reform areas**. Respondents were generally positive about progress made in all three areas, as a majority reported that collaboration had been successful "to a large extent" or "to a very great extent" (Table A1 and Chart A1). Very few staff reported that such collaboration existed "not at all" or "to a very little extent." Responses from Bank and Fund staff were broadly similar, although the few negative responses came almost exclusively from Fund staff. Responses from staff covering low-income countries were slightly more positive on these questions than those from staff representing middle-income countries, but both groups held favorable views (Chart A1). There was no significant difference in responses from different regions.

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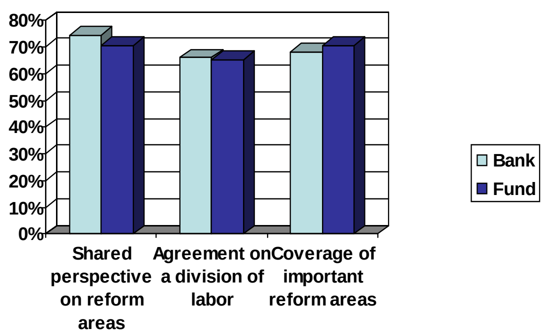
[14] The response rate between the two institutions is not comparable as many Bank country directors delegated the task to country managers who also received the survey.

Box A 1: Respondents' Views on Ways of Improving Collaboration

- **Better coordination, information sharing and clearer division of labor were indicated by staff from both institutions as an effective way to address gaps/overlaps between the two institutions**. Some Bank staff also support a greater co-participation and engagement in missions and Article IV Consultations.
- **Regular upstream discussions/consultations, sharing data—including mutual debriefings—were cited by staff in both institutions as contributing to collaboration, especially with respect to the interdependence between macro and sectoral areas**. In addition, staff advocated cross-participation in missions by the other institution.
- **The large majority of staff from both institutions was predominantly against the introduction of new institutional mechanisms for coordinating Bank and Fund country work plans and their delivery**. Staff of both institutions advocated regular contacts, cross participation sharing information, data and work programs as effective ways to enhance collaboration. Some Bank staff suggested greater Fund decentralization, while some Fund staff said the Bank needed to be more attentive to the timing of information delivery and the incentive structure for cooperation.
- **Staff from the Bank and the Fund underscored the importance of dialogue at the country team level as the primary method for resolving conflicts and other differences with colleagues in the other institution** rather than revitalizing centralized committees such as the Joint Implementation Committee. Some Bank staff also recommended regular dialogue between higher management levels.
- **Respondents, particularly from the Bank, indicated that regular dialogue and sharing of critical information would help ensure effective cooperation in case of potential future crises**. Very few Fund staff indicated that the Fund should be exclusively responsible for crisis management.
- **Reponses varied widely on the coordination of follow up on FSAPs and financial sector TA**, ranging from the creation of a joint TA program to enhancing dialogue at a country level. Few staff replied to the question on a broader role for the Financial Sector Liaison Committee, with the slight majority in favor of the idea of extending it. Bank staff said that the main problem in providing effective follow up on financial sector issues lies in the resource constraints of both institutions.
- **Substantial differences in views were provided by staff from the two institutions on the introduction of a new institutional mechanism on fiscal policy issues**. Most Bank respondents supported such an arrangement, but Fund staff were opposed, viewing it as another layer of bureaucracy and a waste of resources.
- **Better communication, information sharing, co-participation in missions were mentioned by staff from both institutions to improve the coordination of the programming and delivery of technical assistance at the country level**.
- **Regular joint reviews have been unanimously advocated by staff from both institutions to improve monitoring of Bank-Fund collaboration**.

Chart A 1: Respondents Reporting Collaboration to a "Large" or "Very Great Extent"



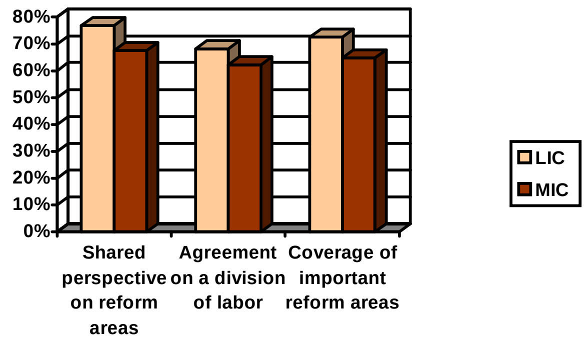


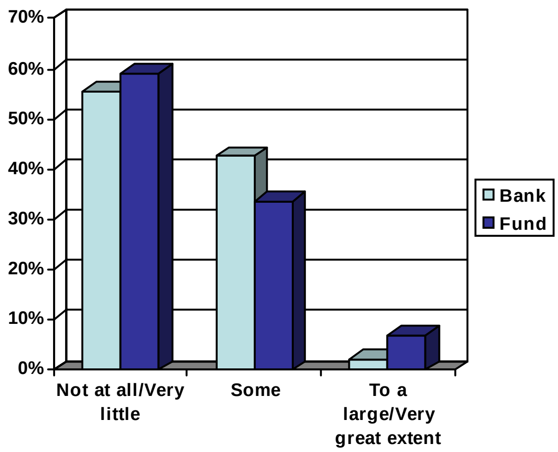
Table A 1: Summary of Staff Views on the Extent of Collaboration

Question:	To a large /Very great extent	Somewhat	Not at all/To a very little extent	Don't know/NA
To what extent have the Bank and the Fund developed a shared perspective on policy reforms?	Fund: 70% Bank: 75%	Fund: 18% Bank: 26%	Fund: 11% Bank: 0%	Fund: 0% Bank: 0%
To what extent have the Bank and the Fund agreed on a division of labor between the two institutions in areas of key responsibility?	Fund: 65% Bank: 66%	Fund: 22% Bank: 32%	Fund: 12% Bank: 2%	Fund: 0% Bank: 0%
To what extent have the Bank and the fund sufficiently covered important reform areas	Fund: 70% Bank: 68%	Fund: 27% Bank: 32%	Fund: 3% Bank: 0%	Fund: 0% Bank: 0%
Too what extent is there duplication between the Bank and the Fund of overlapping areas?	Fund: 7% Bank: 2%	Fund: 34% Bank: 43%	Fund: 59% Bank: 55%	Fund: 0% Bank: 0%
To what extent are there policy gaps between the Bank and the Fund in critical areas?	Fund: 12% Bank: 0%	Fund: 45% Bank: 38%	Fund: 41% Bank: 62%	Fund: 2% Bank: 0%
How well does the Bank-Fund interface work in addressing the interdependence between macro and sectoral issues and in identifying the macro-critical sectoral issues?	Fund: 56% Bank: 64%	Fund: 29% Bank: 34%	Fund: 13% Bank: 2%	Fund: 2% Bank: 0%
To what extent have you received pertinent and timely information, comments, and technical inputs from the other institution?	Fund: 53% Bank: 69%	Fund: 30% Bank: 24%	Fund: 16% Bank: 7%	Fund: 1% Bank: 0%
To what extent have you provided pertinent and timely information, comments, and technical inputs to the other institution?	Fund: 86% Bank: 79%	Fund: 11% Bank: 17%	Fund: 1% Bank: 2%	Fund: 2% Bank: 2%

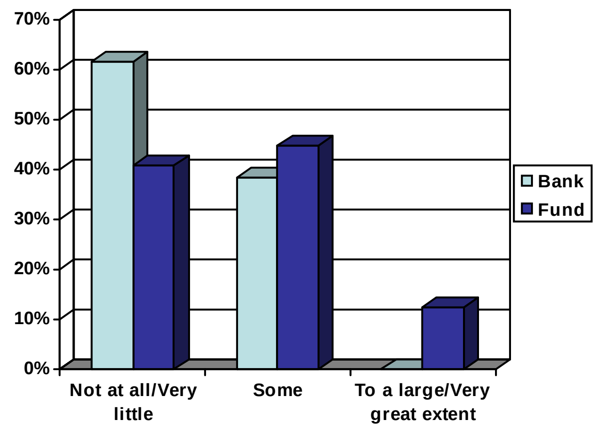
4. **Staff were generally positive about the extent of overlaps and policy gaps between the two institutions, with most responses indicating that gaps and overlaps exist "not at all" or "to a very little extent" (Table A1 and Chart A2)**. The few negative responses came almost exclusively from Fund staff who were slightly more positive than their Bank counterparts about the degree of overlap, but noticeably more concerned about policy gaps.

Chart A 2: Gaps and Overlaps between the Bank and the Fund

Overlaps



Gaps



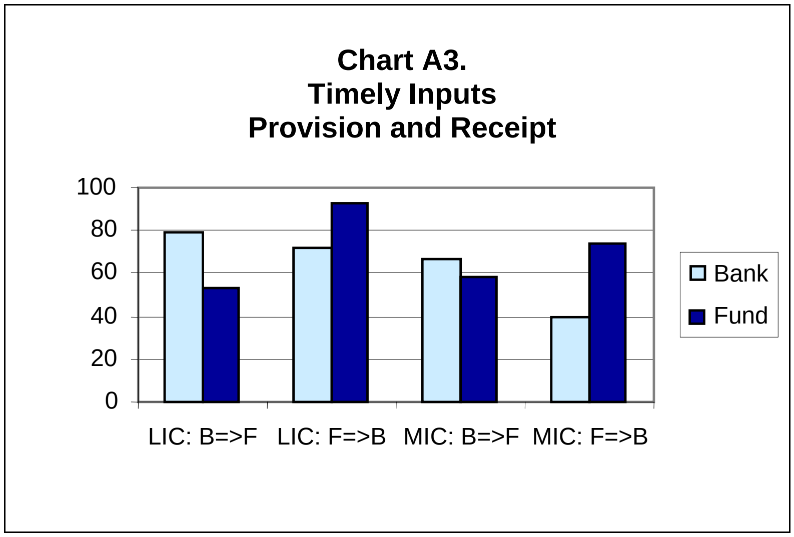
5. **Staff from both institutions provided indications of possible areas of gaps/overlaps created (i) by the institution across the street and (ii) by their own institution**. *The pursuit of institutional mandates* and *staffing and budget constraints* were cited as the main reasons for duplication and gaps, respectively.

- **Gaps/Overlaps created by the other institution**. Bank staff indicated *financial sector* (10 countries), *fiscal* (9 countries), *labor market*, and *energy* (6 and 5 countries respectively) as areas where the Fund is seen to have created overlaps. Fund staff pointed to *macro* as an area of overlap created by the Bank (9 countries). Staff from both institutions recognized overlaps in the area of *taxation* (5 and 6 countries respectively). For gaps, Fund staff cited the *energy sector* (6 countries), while Bank staff cited the *energy* and *financial sectors* (3 countries each).

- **Gaps/Overlaps created by their institution**. Staff in both institutions cited the *financial sector* (21 and 8 countries covered by the Bank and Fund, respectively) as an area where their own institution contributed to overlaps. In some cases, Bank and Fund staffs also agreed that their own institution was creating critical gaps in the area of *public expenditures*. *Fiscal, including public financial management* (21 countries) and *macro* (15 countries) were also identified by the Bank staff as areas of potential overlaps generated by the Bank. In about half of these responses, Bank staff noted benefits of the overlap, citing the two institutions' different and complementary perspectives.

6. **To elicit views on the relationship between the Fund's macroeconomic work and the Bank's sectoral work, staff were asked about how well the Bank-Fund interface works in addressing the interdependence between macro and sectoral issues and in identifying macro-critical sectoral issues**. As above, a majority of respondents were pleased with the current state of collaboration, though a few, mainly Fund staff, reported that the interface works "not at all" or "to a very little extent" (Table A1).

7. **Further indicators of the extent of collaboration are the degree to which the staffs have provided information, comments, and technical inputs to each other, and the degree to which they have received such inputs**. Here an interesting pattern emerged. While a majority of staff responded positively to both questions, the proportions of staff claiming to have provided inputs to a "large" or "very great" extent were significantly greater than the proportions claiming to have received inputs to the same degree (Chart A3). Both Bank and Fund staff think they provide more inputs to their colleagues across the street than they receive in return. Whether these differences are due to actual misunderstandings about what the other institution requires, or are manifestations of selective memories, is unclear. The disconnects are most pronounced among Fund staff working on LICs and Bank staff working on MICs. These disconnects are paralleled by relatively large differences with what the staff in the other institution report providing. Indeed, for LICs, Fund teams think they receive significantly less than Bank teams think they provide; whereas, for MICs, Bank teams think they receive significantly less than Fund teams think they provide.



8. **While responses were evenly split between those who see that different location of work does affect Bank-Fund relations and those who expressed the opposite opinion, staff from both institutions admitted that the presence of the Fund Resident Representative is seen significantly beneficial (in about one half of the countries)**. Some Bank staff also noted that the quality of cooperation largely depends on personalities, as well as the authority given to the Fund Resident Representative.

9. **In order to determine specific factors that have affected the success of collaboration, the survey included a list of 14 features of the Bank-Fund collaboration environment**. About 60 percent of the respondents recognized that synergies between the two institutions across the street could be exploited further, particularly in the fiscal area. Staff were asked to identify the top three factors that had contributed to successful collaboration, as well as three factors whose absence hindered collaboration. While responses varied widely, several factors emerged as being particularly important. The three contributing factors cited most frequently by both Bank and Fund staff were: "frequent dialogue, information sharing, and communication," "good personal chemistry between country teams," and "agreement on a coherent policy framework." Staff from both institutions most frequently reported that collaboration was impeded by a lack of "strong management incentives for, resources for, and commitment to collaboration." Responses regarding other impeding factors were fairly evenly distributed. Fund staff cited as

obstacles a lack of "clarity and complementarity of division of labor" and a lack of "consistent, country-owned development strategy" as obstacles to collaboration, while Bank staff identified a lack of "client-driven collaboration" and "clarity about collaboration modalities despite differences in institutional approaches to centralization and decentralization."

10. **Respondents from both institutions were generally satisfied with the results of collaboration for meeting country objective (Table A2)**. A majority of respondents also felt that collaboration had been very important to the objectives of their own institution. When asked about the objectives of the other institution or of donors, sizeable proportions of respondents chose the "don't know/not applicable" option.

Table A 2: Summary of Staff Views on the Results of Collaboration

Question:	To a large /Very great extent	Somewhat	Not at all/To a very little extent	Don't know/NA
How important has recent Bank-Fund collaboration been in meeting country objectives?	Fund: 51% Bank: 66%	Fund: 24% Bank: 28%	Fund: 15% Bank: 6%	Fund: 11% Bank: 0%
How important has recent Bank-Fund collaboration been in meeting Bank objectives?	Fund: 29% Bank: 60%	Fund: 13% Bank: 28%	Fund: 20% Bank: 13%	Fund: 38% Bank: 0%
How important has recent Bank-Fund collaboration been in meeting Fund objectives?	Fund: 56% Bank: 47%	Fund: 26% Bank: 18%	Fund: 13% Bank: 8%	Fund: 5% Bank: 26%
How important has recent Bank-Fund collaboration been in meeting donor objectives?	Fund: 37% Bank: 40%	Fund: 21% Bank: 37%	Fund: 9% Bank: 12%	Fund: 33% Bank: 12%

11. **The survey asked about different conflict resolution mechanisms, including resolution through area departments and regions, PDR/PREM-assisted resolution, management-assisted resolution, and JIC-assisted resolution**. Somewhat encouragingly, staff seemed to have had limited experience of conflict resolution as, with the exception of resolution through area departments and regions, the "don't know/not applicable" option was most commonly chosen by both Bank and Fund staff. A significant number of responses also left the entire question or parts of it blank. The results thus suggest that conflict resolution mechanisms have not been needed very often. Furthermore, while the majority of responses stressed that differences in opinions occurred (62 and 48 countries), particularly regarding the *fiscal* domain (18 and 6 countries for the Bank and the Fund respectively), respondents underscored that differences in views are often resolved through dialogue between staff of the two institutions across the street (Table A3).

12. **When staff did report experience with one or more of the mechanisms, levels of satisfaction varied both by mechanism and by institution**. Resolution through area departments and regions was most often said to be good in "most" or "all cases," and very rarely reported as "not good at all" or "good in few cases." Bank staff tended to approve of PDR/PREM-assisted resolution, while Fund staff was more likely to have had negative experiences with this mechanism. Bank staff was more likely to report experience with management-assisted resolution, and the experience of both staffs was most often positive in this regard. Very few staff reported experience with JIC-assisted resolution, but those that did offered largely negative views.

Table A 3: Summary of Staff Views on the Conflict Resolution Mechanism

Question:	Good in most/All cases	Good in some cases	Not good at all/Good in few cases	Don't know/NA
What has been your experience with area department/regional resolution of differences?	Fund: 49% Bank: 45%	Fund: 13% Bank: 17%	Fund: 4% Bank: 5%	Fund: 34% Bank: 33%
What has been your experience with PDR/PREM assisted resolution of differences?	Fund: 10% Bank: 28%	Fund: 7% Bank: 18%	Fund: 17% Bank: 8%	Fund: 67% Bank: 46%
What has been our experience with management assisted resolution of differences?	Fund: 13% Bank: 29%	Fund: 6% Bank: 20%	Fund: 7% Bank: 2%	Fund: 75% Bank: 49%
What has been your experience with JIC assisted resolution of differences?	Fund: 2% Bank: 0%	Fund: 0% Bank: 5%	Fund: 12% Bank: 8%	Fund: 85% Bank: 87%

Annex B: Work Stream Reports

1. COUNTRY ISSUES WORK STREAM

As one of the six work streams established to draw up concrete proposals for Fund and Bank management, this group considered issues related to how Bank and Fund country teams work together, and how collaboration can be enhanced to strengthen our effectiveness for our clients.

1. The group's work was carried out in the context of: (i) the country-based development model which recognizes independent analysis and advice; (ii) the Fund's independent role in surveillance of its universal membership; and (iii) the division of labor among development partners according to their comparative advantage and the 1989 Concordat, which sets out the respective roles of the Bank and the Fund.[15]

I. CURRENT SITUATION AND ISSUES

2. **Work program coordination**. Currently, coordination between the Bank and the Fund is largely left to individual country teams. This raises the risks of duplication, substantive gaps, and blurred responsibilities. These problems are manifested in several ways:

- Documents are not always shared, partly because of confidentiality concerns;
- There are few prescribed procedures for sharing and commenting on annual operational programs, although some country teams do so partially on an *ad hoc* basis;
- The formal mechanisms for sharing information (such as IMF-Bank Relations Annex) are inadequate for work program coordination since their primary audiences are the Boards.

[15] The Concordat establishes areas of primary responsibility for each institution and states that in the interests of efficiency of staff use, each institution should rely as much as possible on the analysis and monitoring of the other institution in the areas of the primary responsibility of the latter, while safeguarding the independence of institutional decisions. The primary objective of the Concordat was to ensure consistency of policy advice, with each institution still being able to engage in analyses in areas of primary responsibility of the other institution. However, views on matters clearly within the area of primary responsibility of one of the institutions should be expressed to country authorities only by or with the consent of that institution. Should differences not be resolved in mutual discussions, the institution that does not have primary responsibility would, other than in exceptional circumstances, yield to the judgment of the other institution.

In sum, coordination and communication between country teams are *ad hoc* and can be improved to serve our country clients better.

3. **Information sharing**. Requests for country-level inputs cannot always be met in a timely manner (or at all) because of short time frames and budgetary and staffing constraints. Responding to such requests for fragile states or small LICs can be a particular problem:

- In some cases, **Fund assessment letters** are not provided quickly enough, and in other instances, macroeconomic analysis is not shared effectively;

- There is not enough **sharing of information** when technical assistance programs, including work embodied in capacity building and advisory services, (collectively referred to as TA in this document) are planned, although coordination does take place informally—both in the context of country work and the work of functional specialists. Coordination of FSAPs and debt management has developed into examples of good practice.

4. **Conflict resolution**. In some areas, best practices are being followed; in others they are not. Disputes on country work are usually resolved by the country teams, and elevated to area department/Region front offices and then to senior management only if necessary. Similar practices are less developed for technical assistance and related advisory work.

II. RECOMMENDATIONS

5. **Common principles for effective collaboration** should incorporate: a coherent program of joint support based on a country-owned strategy; early consultation on program design; and an allocation of responsibilities that reflects institutional mandates and comparative advantage. The group's recommendations cover work program consultation and coordination, work program inputs and information sharing, assessment, and conflict resolution.

A. Work Program Consultation and Coordination

6. For each country in which both the Bank and Fund are active, **primary responsibility for coordinating work programs will fall to the Fund mission chief and Bank country director** or other interlocutor assigned by the respective Area department or Region. At least once a year, at a time convenient in the country work program cycle but in time to influence their work programs in the forthcoming fiscal years, they will:

- Discuss key country-level instruments like the Bank's CASs and the Fund's Surveillance Agenda as the basis for coordinating the two institutions' work programs;

- Identify macro-critical sectoral issues, assign lead responsibilities for these areas, and recognize gaps not filled by the two institutions or other donors. This should underpin annual work plans and TA priority; and

- Share details on likely input requirements from each institution (see below).

7. Once **vetted by the area department director and regional vice president**, a summary of the macro-critical sectoral issues and sharing of responsibilities would be reported to Bank and Fund Executive Boards in relevant documents. For example, such reporting could replace the annexes on Bank-Fund relations, which are currently attached to key Fund Board documents.

8. On **TA**, both institutions would identify items on which they want close coordination and gaps that should be filled later. Working practices would also entail close integration with country work, sharing upstream documentation and implementation reports, participating in reviews and missions as needed, and discussion on implementation follow up. On topics where some work is likely to be important, or are identified as macrocritical, cross mission participation could be planned.

Title	**Products (for example)**	**Provisional timing of missions (if relevant)**	**Expected delivery date**
A. Mutual information on relevant work programs			
Bank work program in next 12 months	CAS, CAS PR DPL ESW on ... TA on ...		
IMF work program in next 12 months	Article IV Staff visit/program review Fiscal, data ROSC TA on ...		
B. Requests for work program inputs (as needed)			
Fund request to Bank (with summary justification)	PER top-up to provide quantitative inputs for budget framework PSIA on ... Analysis of supply-side implications of sectoral composition of aid ESW on ...		
Bank request to Fund (with summary justification)	Assessment letter Macroeconomic scenarios associated with scaling up of aid TA on ...		
C. Agreement on joint products and missions (as needed)			
Joint products in next 12 months	DSA FSAP PRS feedback TA		

9. **The outcome of work program discussions would be summarized** in a brief memorandum to files with a matrix of activities and resource implications. The matrix would be a flexible, amendable management tool for both teams and a means of organizing follow-up.

B. Agreements on Work Program Inputs

10. The **country-level matrix** (see above) would encapsulate specific inputs by each institution related to macroeconomic frameworks, public expenditure and sectoral analysis, and technical assistance.

11. **Macroeconomic frameworks**. Fund staff should provide formal assessment letters, cleared by management, within a month of a request from Bank staff. The annual joint Bank-Fund preparation of debt sustainability analysis (DSA) would be a good time to consider different growth and aid flow scenarios, drawing on Bank analysis of costs and sectoral linkages to growth.

12. **The Fund has the primary responsibility to provide short-term macroeconomic analysis and policy advice to governments**. Typically, the Fund updates its projections for the semiannual *World Economic Outlook (WEO)*, during its Article IV missions, and in the interim if circumstances demand. The Fund should share its macroeconomic projections and data (under the provisions of Section III below) with Bank staff, and Fund staff should discuss their projections/analysis at an early stage with Bank staff, for example, well before documents are sent for formal comment. In a similar vein, the Fund will provide qualitative assessments based on the best available information as well as its latest data/analysis.

13. **The Bank relies to the extent possible on the Fund's analysis and monitoring but undertakes macroeconomic work as part of its own due diligence**. The formal and informal exchanges of views and data between Fund and Bank staff noted in para. 11 will aid in this process. However, where differences remain unresolved, the Bank will follow the lead of the Fund to remain consistent with the Concordat.[16]

14. **Between the two institutions, the Bank has the primary responsibility on advising countries on development strategies, sectoral policies, public expenditure priorities, and poverty reduction**. This lead role, *inter alia*, sometimes generates requests from Fund staff for inputs on these aspects into their macroeconomic work and policy dialogue.[17] To facilitate effective and orderly planning, Fund teams should better anticipate

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[16] Under its policies, the Bank takes the Fund's views into consideration but makes its own assessment of the appropriateness of macroeconomic policies for the purposes of its lending and to assess creditworthiness.

[17] Since the Fund conducts analysis and provides TA in areas of joint responsibility, or, where the issue is relevant to macroeconomic stability, it may also request the Bank to complement or extend the Fund's work

requests for analysis when they plan their annual work programs and share these requests with Bank staff as early as possible. Bank-provided analysis would be managed through Bank country units and provided on an agreed timetable. As regards unanticipated requests, the working rule would be that these inputs, including the timing of their provision, would be negotiated on a case-by-case basis.

15. As set out in the report of the Internal Processes Work Stream, there is also a resource issue involved in funding Bank-Fund cross support. It recommends a pilot project on managing requests from the Fund for analytic work from the Bank, focusing particularly on: "topping-up" existing Bank analytic work; supporting complementary work in underfunded Bank country programs, particularly on fragile states and small LICs; and supporting rapid responses to urgent *ad hoc* requests. The pilot would also look at various sources of funding as well as ways to manage the likely excess demand for this work, including building on existing prioritization mechanisms in the Bank and the Fund.

16. Bank and Fund country teams should consult as they prepare their annual TA plans. The Fund should share, for example, Regional Strategy Notes, Regional Allocation Plans (RAPs), Fiscal Strategy Briefs (FSBs) and Financial Sector Strategy Notes (FSSNs). The Bank should share CASs and Interim Strategy Notes (including medium-term plans for analytic work) and annual Analytical and Advisory Activities (AAA) work programs for each country. The intent would be for both organizations to identify areas where there are overlaps or omissions.

17. On **TA**, each institution should also be flexible enough to be able to respond promptly to important country priorities, with emphasis on timely delivery. Mid-year review of work programs and operational budgets would offer such an opportunity, but some resources should be set aside ahead of time to handle urgent and high-priority country demands. When a work program is changed, the other institution should be notified promptly.

C. Information Sharing

18. **Four types of actions are recommended to improve information sharing:**

- Routinely share Fund country briefing papers and staff reports for review and comment (where confidentiality is a concern, the Fund mission chief and Bank country director should be the only recipients and be accountable for maintaining confidentiality). Similarly, the Bank's mission- and project-related documents (e.g., TORs, aide-mémoires) should be shared when relevant. Post mission debriefing by each institution should be a routine practice as appropriate;

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in these areas. Similarly, the Bank may request additional macroeconomic analysis from the Fund to complement its own work on such issues as the impacts of scaled-up aid in LICs.

- Invite the Country Director/regional PREM sector manager/lead economist to an interdepartmental pre-brief meetings at the Fund and invite the Fund's mission chief to relevant country meetings at the Bank, including CAS or country team retreats;

- Routinely distribute drafts of any technical document of each institution to the other (TORs, interim TA, and advisory reports). Similarly, Bank and Fund TA reports should also be provided to the other institution (at least in draft form) within 90 days after conclusion of field work; and

- Routinely share information on messages and outreach.

19. Within confidentiality guidelines, Fund staff should share data and macro frameworks (including underlying analytic models) with Bank staff within a reasonable time (e.g., prebrief meetings, conclusion of missions). Similarly, Bank staff should share sectoral data and analytic models used in Bank analytical work, when requested.

20. Every Bank or Fund letter transmitting a final report to the authorities could indicate that, unless otherwise instructed, the report will be made available to the other institution, which would agree to maintain confidentiality.

D. Assessing Implementation

21. Progress in implementing these proposals should be closely monitored to ensure that mid-course corrections are made as needed. Thus, it is proposed that the Bank-Fund retreat on July 19 consider whether Bank and Fund country teams for a representative sample of the membership—seven LICs and three MICs—could test these proposals, say by end-2007, and whether the pilot should be extended to all countries in 2008.

E. Conflict Resolution

22. Differences of views between Bank and Fund country teams should be addressed at the lowest level possible, and if they cannot be resolved, the issues should be escalated up the line-management chain of command in the two institutions. Appeal to managements of the two institutions would only be used sparingly. Fund area departments and Bank regions should consider holding meetings periodically to address emerging concerns at an early stage.

2. Financial Sector Issues Work Stream

1. As a follow up to the Malan Report, work streams were established to develop specific recommendations to strengthen Bank-Fund collaboration. This note reports on the deliberations and recommendations of the financial sector work stream.[18]

I. The Malan Report gave high marks to Bank-Fund cooperation in the financial sector

2. The Report endorsed the principle that the Fund take the lead where there are significant domestic or global stability issues, and the Bank where financial sector development issues are paramount. Nonetheless, it observed that the responsibilities could not be precisely demarcated. Moreover, the Report cautioned that overlap and (possibly) conflicting advice was an increasing risk as both institutions direct their assistance to new areas, such as, in the Fund's case, capital market development.

3. The Report concluded that the Financial Sector Liaison Committee (FSLC) had been effective in dealing with potential overlap but that collaboration could be improved, especially in light of tensions with regard to technical assistance (TA). Accordingly, the Report's principal recommendation was to broaden the FSLC's mandate to coordinating all financial sector issues, including TA activities.

II. The work stream reaffirms the value of flexible coordination mechanisms

4. Even as the two institutions have adhered to well-established institutional mandates—the Fund focusing on surveillance and the Bank on development—collaboration has been facilitated by an understanding that these principles should not be followed too rigidly. The experience in jointly developing and delivering the FSAP has highlighted the limits of rigid demarcations of institutional responsibility and reinforced the value of processes that encourage frequent dialogue. In particular, the FSLC framework and the relationships it fosters—both within and across the institutions—have proven effective in scoping and scheduling work, allowing the institutions to draw on each others' expertise as needed, responding flexibly to changing demands, and resolving conflicts that could not be handled at lower levels.

5. This flexible approach is also being applied effectively in other areas. Notably, the Bank's Treasury and the Fund's Monetary and Capital Markets Department (MCM) have developed modalities to collaborate in the area of debt management, including monthly

[18] The work stream was co-chaired by Augusto de la Torre and Christopher Towe. From the IMF side, the group included Robert Corker, Barry Johnston, Mauro Mecagni, Ashoka Mody, and Marina Moretti. From the Bank side, the group included Phillip Anderson, Elizabeth Currie, Gerardo Corrochano, Michael Fuchs, Gloria Grandolini, Susan Marcus, Fernando Montes-Negret, Roberto Rocha, David Scott, and Antony Thompson.

meetings to exchange information and work plans. And in response to emerging demands in the area of capital market development—including the recent G8 initiative on developing local bond markets—Bank and Fund staff are developing similar mechanisms for collaboration.

6. Coordination of financial sector TA, however, has proven more of a challenge, reflecting several considerations. First, unlike the FSAP, TA is not a joint product, which means there is less obligation to coordinate. Second, coordination of TA is much more difficult given the larger number of actors involved—at the Bank, multiple vice presidencies may be in charge; at the Fund, both functional and regional departments have stakes in the process; and often, there are multiple donors and other IFIs also involved. Third, funding models also differ within and across the two institutions. At the Fund, financial sector TA is typically centralized within MCM and is provided without charge. At the Bank, TA decision making and delivery is diffused and evolving, and in some cases TA is being provided on a fee-for-service basis. The growing significance of the IFC as a provider of advisory services has compounded this complexity.

7. Additional challenges arise from differences in institutional priorities, with Fund staff focused on surveillance through the Article IV cycle, which is mandatory to all members, and Bank staff engaged in project development and policy and technical dialogue that are optional to member countries. The Fund's increased focus on financial sector issues also may create tensions due to a greater Fund role in areas traditionally served by the Bank.

8. Recognizing these challenges, the shareholders of the two institutions have required greater coordination between the two institutions by establishing joint responsibilities. A notable example is the FIRST Initiative—a multi-donor trust fund to finance Bank and Fund TA in the financial sector. The FIRST Governing Council includes representatives from both institutions, which helps ensure coordination. The G8 also required a joint Bank-Fund response to the call for steps to promote local bond market development.

III. The Work Stream Supports the Malan Report's Recommendation to Expand the FSLC's Remit in Coordinating Bank-Fund Activities in the Financial Sector

9. The FSLC was originally intended to cover coordination of financial sector work in its broadest sense but, as the Malan Report suggests, its focus has been mainly on organizational matters related to the FSAP.[19] The financial sector work stream endorses the Report's call for the FSLC to promote a robust dialogue between the two institutions on financial sector matters, and to foster better information exchange and joint planning. At the same time, however, care is needed to avoid an over-bureaucratization of this process.

[19] See *Review of Bank-Fund Collaboration in Strengthening Financial Systems*, paragraphs 27–31 (SM/98/224).

10. **Recommendation 1:** The FSLC's success has been partly due to its operation as a relatively informal, working-level committee. As such, the current arrangement, with the principal responsibility for coordination at the deputy director (Fund) and senior adviser or director (Bank) level, should be maintained.

11. **Recommendation 2:** Nonetheless, one or two FSLC meetings per year could be elevated to the director (Fund) and vice president (Bank) level, which could allow major policy and analytical issues to be brought forward and an enhancement of the strategic focus and visibility of the group. At the same time, informal meetings between the MCM director and Bank vice president and their staffs have been useful and should be encouraged.

12. **Recommendation 3:** The FSLC should act as an umbrella for other coordinating activities, such as the groups currently dealing with asset/liability management and capital market development. Specific modalities—for instance, regular reporting to FSLC and the use of FSLC as a platform for conflict resolution—could be considered, but care should be taken not to overburden these and similar initiatives with bureaucratic requirements.

13. **Recommendation 4:** The FSLC should act as a "nodal point" for sharing TA strategies in the financial sector area. During the coming year, this would involve FSLC-sponsored meetings for each major geographical region with presentations by Bank sector managers, regional division chiefs in MCM, and the Program Manager of FIRST.

- The goal of these meetings would be to share information and strategies, avoid overlaps and inconsistencies, and identify opportunities for resource optimization.

- On the Fund side, area departments' regional financial sector strategy notes and MCM's regional allocation plans could be shared, and analogous outputs from the Bank Group (including the IFC) could also be presented.

- At the end of the first cycle of regional meetings, the FSLC would evaluate this new process and assess its utility.

14. **Recommendation 5:** The FSLC would also renew the practice of sponsoring meetings of Bank-Fund teams to discuss TA follow up for countries recently completing FSAP assessments, which would help promote broader collaboration on TA strategies.

IV. The Work Stream Also Proposes That the FSLC Take Stock of the FSAP and Further Refine and Develop a Strategy for the Program Going Forward

15. With over 130 initial FSAP assessments completed or underway and an increasing shift toward updates, the program is entering a new phase. At the same time, the program faces challenges such as those posed by assessing compliance with the new Basel II framework and new Basel Core Principles with their shift in emphasis from compliance- to risk-based supervision. Finally, increasingly globalized capital markets have placed an

even greater premium on policies that support effective financial sector development in low-income countries.

16. These changes offer an opportunity to take stock of progress achieved and ways to strengthen the FSAP, including in light of tighter budget constraints in the Bank and Fund:

17. **Recommendation 6:** The FSLC would establish a subcommittee to review FSAP policies and practices and provide input to the review of the FSAP program scheduled to be submitted to the Bank and Fund Executive Boards in 2009. The subcommittee would provide its report by mid-2008, also taking account the results of an ongoing Bank project that is taking stock of the treatment of development issues in the FSAP.

18. **Recommendation 7:** The FSLC would coordinate ongoing efforts to assess the implications of the recent revision to the Basel Core Principles and possible revisions to other standards for FSAP assessments and will coordinate the joint paper being prepared on the topic.

V. THE WORK STREAM SUGGESTS THAT THERE IS SCOPE TO ENHANCE COLLABORATION IN OTHER AREAS

19. Additional initiatives could be put in place to support more coordination at the working level and on the ground—with or without joint teams and products—and tap other important synergies:

20. **Recommendation 8:** While no mandate exists for the Bank and the Fund to conduct joint TA work, consideration should be given to budget and other modalities that would enable teams from one institution to tap expertise from the other.[20]

21. **Recommendation 9:** Steps should be taken to enable better knowledge management and information sharing across institutions. This could involve investment in a joint intranet for financial sector specialists, and the posting of guidelines, terms of reference for TA missions, and information on financial sector TA and other activities by the Fund and the Bank in each country.

22. **Recommendation 10:** Both the Bank and the Fund have ongoing research and statistical efforts in financial sector areas that should seek further ways to collaborate on the development of shared indicators, and databases resulting from joint assessments and other work.

23. **Recommendation 11:** Both institutions maintain significant capacity for monitoring capital market developments on an ongoing basis. More exchange of market intelligence and information between Bank Treasury staff and MCM staff involved in this task is recommended (possibly including MCM's *Global Markets Monitor*).

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[20] The Malan Report also flags the potential value of greater "staff interchanges" (p. 9).

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1. Calls for closer Bank-Fund collaboration reflect an acknowledgment that short-term stabilization and growth-oriented policies are mutually supportive. Thus far, the FSLC framework has facilitated collaboration through the FSAP, but the challenge is to follow this model in other financial sector activities. A number of recommendations have been suggested to encourage steps in this direction, but absent joint products and responsibilities for TA and other financial sector work, success will depend at least in part on putting in place appropriate signals and incentives from managers (and management) for country teams and functional experts to collaborate.[21]

[21] This point is explicitly noted in the Malan Report, which states "collaboration should be a big part of staff performance assessments in both institutions" (p. 9).

3. Fiscal Work Stream

I. Introduction

1. This section of the Joint Management Action Plan focuses on general fiscal policy issues, operational work, missions, as well as on *fiscal issues* related to technical assistance. The note summarizes the current status of collaboration between Bank and Fund staff, with emphasis on current best practices and areas for improvement. It then lists recommendations for strengthening the collaboration between the two institutions.

2. The Joint Working Group recognizes that effective implementation of such recommendations hinges upon the existence of appropriate incentives, which may include accountability for task managers, mission chiefs and senior managers in the respective units. To that effect, it would be useful to:

- On the Fund's side, encourage Immediate Office Review Officers in area departments, PDR, and FAD in the review process of country papers, to more systematically raise questions related to Bank/Fund coordination on fiscal sector issues; and

3. On the Bank's side, align incentives through the CAS and annual work program agreements at the country level, and rely on PREM thematic groups to monitor collaboration on fiscal sector issues.

II. Identification of Issues in Macro- and Compositional Fiscal Policy

4. At present, the arrangements between the Bank and the Fund for harmonizing institutional positions on the aggregate and compositional aspects of fiscal policy mostly reflect informal communications between Bank and Fund teams. The precise nature of this collaboration depends in part on the Bank and Fund's respective relationship with a country. On the Bank's side, instruments include Advisory and Analytical Activities (AAA) such as PERs, CEMs, DPRs, other analytical work, technical assistance, and lending programs, for which the Fund is often invited to provide comments. The coverage of fiscal issues varies across countries depending on country circumstances and needs. For the Fund, in the case of program countries, there is a set of instruments and procedures that encourage close collaboration—this is particularly true for low-income countries (LICs), for which there are, for example, JSANs and DSAs, which touch on fiscal issues. For countries with which the Fund has a surveillance-only relationship, collaboration includes sharing of Fund mission briefs with the Bank, and Bank country documents with the Fund, and occasional participation of Fund/Bank staff in Bank/Fund missions. On the substance, the Fund defines the macroeconomic program, including the fiscal policy framework, but in case of fiscal adjustment, the Bank may be requested to provide advice on expenditure rationalization. The Fund typically takes the lead on revenue mobilization issues, although in some regions this is a shared responsibility, and projections of aid are done by the Fund, with input from the Bank and donors.

5. Although these arrangements provide some degree of harmonization, effective collaboration depends highly on individual teams. The Malan report challenges the Bank and Fund staff to further align their policy advice on fiscal issues, *through proper integration and analysis of macroeconomic and fiscal compositional issues.*

III. Recommendations for Improving Bank-Fund Collaboration on Macro- and Compositional Fiscal Issues

6. The Joint Working Group believes that, as a starting point, the Bank and Fund staffs should collaborate with government counterparts to develop a coherent view on how the level, composition, and efficiency of public expenditure and taxation affect economic growth and the intertemporal budget constraint, as well as ways to improve fiscal policy outcomes. Bank and Fund staff should then determine their work plans accordingly and decide on the lead agency responsible for covering various issues.

7. Fund area departments should be at the center of collaboration with Bank regional departments on overall fiscal policy issues in countries. The specific recommendations below focus on the use of existing instruments between the two Institutions. These instruments will be used to: (i) develop common understandings between Bank and Fund economists and government counterparts on fiscal policy issues that are pressing (for example, the planned scaling up of development expenditures in a country), (ii) extend the focus of fiscal policy beyond short-term stabilization to other public policy objectives, and (iii) integrate Bank advice on public spending priorities to improve the quality of fiscal adjustment. The recommendations are presented by Institution.

8. **The World Bank will:**

- Use the three-year **Country Assistance Strategy (CAS)** document to allocate resources for AAA of fiscal issues (including PSIA). Fund staff should provide input into the development of the CAS, including suggesting areas for AAA.

- Use annual **Economic and Sector Work (ESW)** products such as PERs, CEMs, DPRs, and other products to define the broad strategic goals for fiscal policy. Over time, an explicit goal of ESW should be to strengthen the analysis between fiscal policy and growth. Provide Fund staff with concept notes and related documents for ESW and elicit comments.

9. **The IMF will:**

- Use briefing papers and existing staff reports to define the immediate and medium-term macrofiscal strategy for the country. These documents should draw on Bank input on fiscal compositional issues where appropriate.

- Share with Bank staff draft **Surveillance Agendas** for comment and encourage discussion with Bank counterparts on Fund surveillance priorities in the fiscal area for the coming year.

- Share with Bank staff 71 **Fiscal Strategy Briefs (FSBs) that have been prepared by FAD in collaboration with Fund area departments** and elicit comments as they are updated. The FSBs will reflect Fund area department input on macrofiscal issues and broad fiscal strategy. Fiscal strategy briefs currently produced by FAD should be strengthened with Bank input to cover expenditure composition issues. Fund area departments should produce similar briefs for countries not covered by FAD economists. The resource costs of producing a new set of additional 70 FSBs is tentatively estimated to range between four and five person years.

10. **Public Debt Sustainability Analyses (DSAs)** are currently produced jointly by Bank and Fund staff for low-income countries. To enhance the usefulness of this instrument, Bank staff should be consulted by Fund staff on public DSAs for middle-income countries. Public DSAs should be integrated into the long-term fiscal strategy that underpins both Fund and Bank advice to countries, and used to analyze particular fiscal policy issues.

IV. Identification of Issues in Technical Assistance Activities

11. Bank and Fiscal Affairs Department (FAD) staffs generally cooperate closely and effectively in carrying out their respective responsibilities in the provision of technical assistance to member countries. The areas covered by the two institutions are Tax Policy, Expenditure Policy, Tax and Revenue Administration, and Public Financial Management. Examples of such collaboration typically reflect the following activities:

- Informal meetings and exchange of documents

- Cooperation through joint membership in international fora

- Cross participation in each other's missions

- Preparation of joint papers for the two Boards

- Establishment of joint working groups.

12. Despite such examples of good teamwork between Bank and FAD staff, there is a lack of clear, formal structures that would provide an enabling environment for strengthening collaboration and thus *minimize the risk of inconsistent policy and TA advice by respective teams that work on the same country within similar time frames.* Issues that have been identified by the Joint Working Group in the Fiscal Sector Work Stream are:

- Lack of clear single point of contact at the World Bank for fiscal policy and TA issues.

- Lack of easily accessible information on work plans of the two institutions.
- Difficulties in obtaining each others' reports/documents.
- Board-mandated restrictions on the availability of FAD TA reports.
- Lack of formal mechanism to obtain comments on concept notes and terms of reference.

13. The following seeks to address these weaknesses.

V. Recommendations For Improving Bank-Fund Collaboration in TA Activities

14. The Joint Working Group believes that the actions noted below are expected to (a) formalize current good practices, (b) sensitize Bank and Fund staff on the general issue of collaboration, and (c) enable a free flow of information between the two institutions.

15. These recommendations take into account the decentralized nature of Bank operations and the different time frames under which staff of the two Institutions generally operate. The recommendations are presented by Institution.

16. **The World Bank will:**

- Establish **focal points of contact** for tax policy, tax and revenue administration, expenditure policy, public financial management, and debt management issues by region; these contacts will be disseminated to FAD and other relevant departments and updated as necessary. The PREM anchor will monitor and support collaboration through its thematic groups.
- Provide Fund staff with **Concept Notes** and related documents of pre-mission work for comments by Fund staff.
- Encourage **Fund staff participation**, as appropriate, in relevant TA missions.
- The Bank will aim to undertake **more PSIA work**, which the Fund is committed to integrating into its macroeconomic policy advice.

17. **The Fiscal Affairs Department of the IMF will:**

- Provide the World Bank staff with the annual **Regional Strategy Note** and elicit comments about issues relevant to the work program of Bank teams.
- Provide the **Terms of Reference** for upcoming TA missions to Bank staff and seek comments before finalization, following the usual Fund deadline for response.

- Present to the Executive Board of the IMF a Decision with a view to relaxing the current restrictive practices regarding the **dissemination of final (Red Cover) TA reports.**

- Encourage **World Bank staff participation**, as appropriate, in relevant TA missions. The costs of mission participation will be borne by staff's home institution.

18. Both FAD and World Bank staff will **strengthen their collaboration on ROSCs and other diagnostic instruments (such as PEFA)**. Following the 2003 Joint Fund/Bank paper on public expenditure issues (SM/03/73, February 19, 2003), the Bank and the Fund reaffirm that, as standard practice, neither institution would recommend to country authorities a ROSC or a PEFA within a year of each other; if the authorities took the initiative to make such a request, consultations would take place between staff teams during the planning phase of the mission to ensure a well-sequenced program of diagnostic work.

19. Monthly coordination meetings of Bank/Fund staff (TRE, PRMED, and CCGCM on the Bank side and MCM, FAD, and PDR on the Fund wide) working on **public debt management and debt markets** will continue to be held. These meetings will discuss mission schedules, including missions with cross participation, as well as other activities.

VI. Recommendations for Improving the Functional Classification of Government Expenditure

20. An additional area requiring stronger collaboration relates to the Fund's GFS that provides an inadequate breakdown of expenditure by function, program, and level of government. Discussions between Bank and Fund staff about the data collected and published by the Statistics Department in the *Government Finance Statistics Yearbook* (GFSY) revealed concerns about the lack of consistent time series over time for the broad categories of government expenditures for many low-income countries. The unavailability of data for sub national levels of government on a current basis was also a concern.

21. The Classification of Functions of Government (COFOG) is a detailed classification of functions, or socioeconomic objectives, that general government units aim to achieve through various kinds of outlays. While the methodological framework in which countries are requested to report government outlays broken down by COFOG facilitates international comparisons, it imposes high resource demands of compiling agencies. Given the limited institutional capacity in many low-income countries, any meaningful effort to strengthen the COFOG databases would require the provision of significant levels of technical assistance from the Statistics Department over an extended period of time, which would require additional resources.

22. **The IMF Statistics Department will:**

- Identify a select group of low-income countries that fulfill certain pre-conditions for which targeted technical assistance could be provided over the medium term. The primary pre-conditions are the ability to compile and report data for the national and subnational levels of government separately, and an effective accounting system that can generate detailed data on the execution of projects and programs. Countries would be encouraged to compile and report data with as much detail as possible, especially in areas that are a priority for policy analysis (e.g., general public services, economic affairs, health and education.) These data would of necessity need to be consistent in terms of totals with the data that are compiled using the economic classification. For six countries, the additional cost of generating this data is estimated at about one-half person a year over the next few years. In the interim, the IMF will provide all detailed fiscal data that are collected for GFS purposes, whether or not such data meet the normal standards for GFS.

4. Technical Cooperation Work Stream

1. This working group was charged to develop for Fund and Bank management concrete proposals to enhance Bank-Fund collaboration on technical cooperation. This note summarizes the staffs' overall assessment and actions to strengthen collaboration.

Overall assessment

2. While several areas to strengthen coordination and collaboration in technical cooperation were identified, overall collaboration was seen as close and effective. Nevertheless, the lack of a formal, structured framework and clear procedures for collaborating impede effective communication between Bank and Fund teams in the process of planning and delivering technical assistance. Since contact on specific country issues often depends on personal, mainly informal, contacts, the quality of collaboration depends on developing good personal relationship among the staff members working on the target country rather than any institutional arrangements. Furthermore, the lack of a common platform for sharing information hampers the systematic exchange of information, including TA reports and analytical work.

3. TA support typically evolves out of the Bank's analytical work and the Fund's surveillance and lending activities, which provide the basis for ongoing engagement. As such, it enables each institution to develop with the government a shared view of reform which is often critical to successful implementation of reforms. At present, the joint work stream on technical cooperation does not see a compelling reason to change the institutional setup regarding TA delivery modalities, funding arrangements, or "pricing." Any distortions introduced through different delivery modalities, reflecting differences in organization and business models, are expected to be reduced through the set of institutional actions set out below. "Pricing" is not seen as a factor causing distortions because there appears to be little diversion of TA delivery from one institution to the other. One challenge at the country level, however, is that authorities may present the same TA needs to all donors/assistance providers. Therefore, coordinating and discussing these requests at the country level across the two institutions is critical to eliminate duplication and avoid waste of resources.

4. **Recommendations.** The work stream developed a set of recommendations and actions to address these issues. There are three main recommendations:

(i) strengthen collaboration at the country team level on coordination and collaboration of technical cooperation between the two institutions;

(ii) establish formal points of contact at the level of the Networks and Regions in the Bank and the TA departments in the Fund; and

(iii) create a platform to facilitate the sharing of information.

I. COORDINATION/COLLABORATION/CONFLICT RESOLUTION AT COUNTRY TEAM LEVEL

5. ***Technical cooperation in both institutions is anchored at the country level and responsibility for coordination and collaboration should therefore rest with the country team***.

- For each country in which the Bank and Fund are active, the Fund mission chief and the Bank country director should discuss as part of their work program discussion the delivery of technical assistance.

- Specifically, Bank and Fund country teams should consult each other as they prepare their annual TA plans. Fund staff should, for instance, put in place procedures for the systematic sharing with the region and Bank country team its Regional Strategy Notes that prioritize TA and the Fund's Resource Allocation Plan which identifies resource allocation in TA, Fiscal Strategy Briefs (FSBs), and Financial Sector Strategy Notes (FSSNs), and—to the extent they touch on TA—the Surveillance Agendas drawn up for Article IV consultations. Bank CASs and Interim Strategy Notes are routinely circulated to the IMF for comments, but not Analytical and Advisory Activities (AAA) work programs for each country, which should be shared with IMF country teams. The intent would be for both organizations to identify areas where there is duplication, overlap, or omissions.

- Both institutions should identify priority items in the other's work program on which they want close coordination, and gaps in the combined work programs that should be filled. This process would include getting upstream documentation and implementation reports and participating in reviews and missions as needed. This discussion could also consider how implementation will be followed up.

- Each institution should also build in flexibility to respond promptly to high-priority TA requests from the other. To some extent, the mid-year review of work programs and operational budgets offers an opportunity to reprioritize, but some resources should be set aside ahead of time to handle urgent and high-priority demands. When a work program is changed, the other institution should be notified promptly.

- Periodic meetings between the offices of the Bank's Regional Vice President and the Fund's Area Department Director should handle unresolved issues.

II. COORDINATION AND COLLABORATION ON TECHNICAL COOPERATION AREAS

6. ***Clearer procedures and more formal structures should be established to provide an enabling environment for strengthening coordination and collaboration between TA providing departments.***

- The Bank and Fund should establish single points of contact for TA areas that would serve as the liaison between Bank and Fund staff. For each TA area, appropriate people should be formally designated as contact points for IMF and World Bank staff on TA issues. These points of contact should be kept up-to-date, and communicated to the respective institutions, and posted on their websites.

7. In addition, the following actions are proposed for the (a) fiscal, (b) financial sector (including anti-money laundering and combating the financing of terrorism (AML/CFT), (c) statistics, and (d) external training areas:

8. ***a) Fiscal***

- For ROSCs and PEFAs, coordination and planning could be strengthened by sharing mission schedules, and through cross-participation in missions. Consultations on missions outside the work program would take place between staff teams during the planning phase of the mission to ensure a well-sequenced program of diagnostic work. FAD and Bank staff will also give further thought to reviving the joint Public Expenditure Working Group to facilitate (as needed) coordination of Fiscal-ROSC and PEFA assessments.

- As a good practice, Bank staff should share Concept Notes (where they exist) and other related documents of pre-mission work for comments by Fund staff. Fund staff should share the terms of reference for upcoming TA missions with Bank staff and seek comments before finalization.

- Consultation by Bank staff with FAD before launching large revenue administration reform projects should be more systematic. Where the Bank plans to design a revenue administration project or is already executing one, Bank/Fund staff should consult with relevant counterparts at each stage of the project development cycle.

- The roles and modalities for Fund staff participating in WB missions and vice versa should be clarified.

9. ***b) Financial***

- At the country level, the Bank sector manager in each region should be formally designated as the contact point for IMF staff on TA issues. Concept notes/TORs and other related documents, where they exist, should be shared with the other institution's counterparts. Consideration should be given to budget and other modalities that would enable TA teams from one institution to tap expertise from the other.

- At the institutional level, the FSLC should facilitate coordination of financial sector work in a broad sense, as it was originally intended.[22] The FSLC should act as a "nodal point" for sharing and coordinating TA strategies in the financial sector area. During the coming year, this would involve FSLC-sponsored meetings for each major geographical region attended by Bank sector managers, IMF regional division chiefs in MCM, LEG, and the Program Manager of FIRST. The goal of these meetings would be to share information and identify opportunities for resource optimization. At the end of the first cycle of regional meetings, the FSLC will evaluate this new process and assess its utility.

- The FSLC should also act as an umbrella for other coordinating activities, such as the groups currently dealing with asset/liability management and capital market development. Specific modalities—for instance, regular reporting to the FSLC and the use of the FSLC as a platform for conflict resolution—could be considered, but care should be taken not to overburden these and similar initiatives with bureaucratic requirements.

- In the AML/CFT area, staffs have taken a number of steps to institutionalize collaboration on assessments and other TA projects. Further progress could be made in this area by regularly inviting appropriate staff from the other unit to participate in regional and unit-wide TA planning meetings, routinely sharing draft TORs and "concept notes" in advance of AML/CFT assistance missions. Where TA is requested by countries that are strategically important to both units, they should seek to collaborate as much as possible in providing assistance.

10. ***c) Statistics***

- To establish regular and formal contact points, STA should designate its regional managers, who now provide oversight of TA strategy and coordination with area departments also serve as contact points with the Bank for relevant region. The Bank should provide contact points in DECDG and in the regions where some TA is provided in addition to TA covered by grants from TFSCB and loans from STATCAP.

- Joint initiatives/projects: IMF's GDDS covers both macroeconomic statistics and social and demographic statistics. While the IMF has its own budget allocation for STA's activities, DECDG depends on country management units for most of its funding. As a result, Bank's participation in some joint projects (such as multi-sector statistics/GDDS missions) is not always feasible. STA should provide plans

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[22] See *Review of Bank-Fund Collaboration in Strengthening Financial Systems*, paragraphs 27–31 (SM/98/224).

for missions where Bank participation is needed at the time the technical assistance program is finalized and the Bank will take steps to ensure resource allocation.

11. ***d) External Training/Institutes***

- The target clients of the two Institutes overlap—specifically Central Banks, Financial Regulatory Agencies, and Ministries of Finance—and there are a number of topics of common interest, for instance finance, trade, poverty strategies and debt management. This provides a strong case for the two Institutes to continue to collaborate along the lines they have done to date, including by drawing on experts from the partner organization. However, given the differences in the training strategies and comparative advantages of the two Institutes and the absence of inefficient overlaps in their training programs, the scope for pursuing new areas of joint activities is narrowly circumscribed. The mechanisms in place for regular interactions between WBI and INS should be able to identify any additional areas where cooperation would be advantageous in the future.

III. Information sharing

12. ***Steps should be taken to enable better knowledge management and information sharing across institutions***.

- The Fund and Bank should create a web portal on which points of contacts and documents are posted, including terms of reference for TA missions and planned activities by the Fund and the Bank in each country. It was noted that, while Fund staff have access to the Bank's intranet, Bank staff do not have similar access to the Fund's intranet. The Fund should look into providing intranet access to Bank staff.

- The Fund should put in place procedures for the more systematic sharing of TA reports and other TA-related documents.

- Bank staff should routinely provide Fund staff with standard project and mission documents (terms of reference, back-to-office reports, project concept notes and appraisal documents), whenever available.

5. Human Resources Work Stream

1. There is a modest but regular flow of staff between the two institutions. Over the past five years, 19 staff separated from the Bank to join the Fund, with 12 Fund staff joining the Bank. Some three-fourths of the moves involved economists. Permanent transfers of staff are complemented by the temporary secondment of staff. Under long-standing arrangements between the two institutions, 5 staff from each institution took up an assignment in the sister institution during the same five-year period, with the receiving institution reimbursing the home institution for the cost of salary and benefits. These arrangements help to assure each institution that it will be able to benefit from the experience gained by their staff in working temporarily in the sister institution.

2. There are no major impediments to the permanent or temporary exchange of staff. There are differences in the salary structures and benefits of the two institutions, but these have more to do with the staffing strategies that each institution has adopted to meet its own mission. The recently approved Bank/Fund pension transfer agreement should facilitate the movement of staff by, for example, ensuring that staff transferring to the sister institution can continue to accrue service credit toward meeting early retirement provisions of the original institution’s pension plan and by ensuring that pension entitlements from that plan are based on final salary in the sister institution.

3. That said, HR processes in both institutions could be changed to facilitate collaboration. The internal labor markets in both the Bank and the Fund operate as a free market, with staff responsible for managing their own careers, hiring managers making selection decisions, and HR providing the regulatory framework. Consistent with the organizational culture of both institutions, recommendations for reform should rely on incentives rather than administrative measures. Cost neutrality and cost-effectiveness are also shared principles.

4. Five key recommendations have been developed to strengthen incentives for working collaboratively with, or for taking up assignments in, the sister institution. With one exception, the recommendations could be implemented without any direct budgetary cost; Recommendation 2 would require additional resources of no more than $1 million per year in each institution to facilitate a more structured exchange of staff.

Recommendation I. Remove administrative impediments to inter-institution mobility

- **Open internal vacancies to staff from the sister institution**. For vacancies that are currently advertised, each institution effectively restricts candidates to their own staff or advertises externally and sources candidates globally. For positions that would otherwise only be advertised internally, or that are currently not advertised internally, managers should be encouraged to consider candidates from the sister institution as well. This would be a cost-effective way to enlarge the labor market for shared skills and experience. A decision to open vacancies to a broader market should remain with the hiring manager. Similarly, each institution should retain autonomy in administering its vacancies and selecting candidates.

- **Advertise vacancies in each other's internal website**. Hotlinks should be established in home institution websites to direct staff to announcements in the sister institution for selected internal vacancies and all external vacancies. Staff applying from the sister institution would continue to be considered as external applicants.

RECOMMENDATION II. ESTABLISH AN EXCHANGE PROGRAM DRIVEN BY INSTITUTIONAL NEEDS

- Establishing and financing an exchange program with Bank/Fund collaboration as its core objective would send a strong signal to staff that working in the sister institution is valued (see Recommendation 5). Building on existing arrangements, each institution could identify assignments that would serve as opportunities for the secondment of staff from the sister institution. Assignments would therefore be advertised exclusively in the sister institution. Professions for which there is an ample supply of and demand for qualified candidates in both institutions include macroeconomists, lawyers, and financial market experts, as well as accounting, budget, finance, and HR. Externalities arising from such a program would need to be taken into account: while on secondment, staff remain on the budget of the sending department or vice presidency; on return, however, the benefits are enjoyed by the institution as a whole. There is therefore a strong case for central funding. With an allocation of about $1 million each, the institutions could finance 3–5 annual assignments each. A pilot program (with a review committee co-chaired by senior staff from the Bank and the Fund) could be initiated to test the concept, with a review of experience after two years.

RECOMMENDATION III. ROUTINELY SOLICIT PERFORMANCE FEEDBACK FROM THE SISTER INSTITUTION

- Managers of staff expected to collaborate with staff in the sister institution should seek feedback systematically from counterparts in the sister institution on the quality of such collaboration. For Bank staff, this can already be achieved by identifying Fund managers or mission chiefs as "other reviewers" in the process for preparing staff evaluations. For Fund staff, the performance assessment system can be used similarly to ensure that managers take collaboration into account, wherever relevant, in the overall assessment of staff. In both the Bank and the Fund, individual managers remain responsible for soliciting, interpreting, and conveying feedback from the sister institution.

Recommendation IV. Improve performance assessment of staff on secondment

- Both institutions operate pay-for-performance systems for their own staff. Staff on secondment in the sister institution receive salary and merit increases from the home institution. Merit increases for secondees are determined mechanically, however, and do not always reflect performance while on secondment. The rules and practices of each institution should ensure that a full performance assessment by the manager in the sister institution is obtained, and the resulting assessment should be taken into account in determining merit pay.

Recommendation V. Recognize the value of experience gained in the sister institution

- Experience working in the sister institution, whether through prior employment or secondment, can be valuable for both the individual as well as the institution. Where the institution stands to gain from such experience, and assignments are identified in the context of a career development plan or the proposed exchange program (Recommendation 2), working in the sister institution should be considered at least as valuable as internal mobility or work in other institutions in the context of promotion decisions.

6. Internal Processes Work Stream

1. The work stream on internal processes considered ways to strengthen institutional support for Bank-Fund collaboration, especially in the areas covered by Malan Report. It focused on five topics: (i) institutional mechanisms for facilitating Bank-Fund collaboration and for resolving differences in policies and operations; (ii) harmonization of institutional review processes for joint products; (iii) institutional options for managing Bank-Fund cross-support in country programs; (iv) institutional practices for the sharing of facilities, training programs, and information; and (v) coordination of contingency planning and instrumentality for helping clients to deal with external shocks.

I. Institutional Mechanisms for Facilitating Bank-Fund Collaboration

2. In considering the Malan Report recommendation to revitalize the Joint Implementation Committee (JIC), the IP Work Stream looked into current business practices within the Bank and the Fund, and determined that a different solution was needed for the more decentralized processes prevailing nowadays. The JIC was created as a centralized coordination and conflict-resolution mechanism in the late 1990s, when the Bank and the Fund had a major program of HIPC initiative debt relief to deliver to many counties under a strict timetable. Since that time, the Regions and Area Departments have developed their own coordination and conflict-resolution mechanisms, building on the principles of subsidiarity and line-management.

3. ***Recommendation:*** The JIC should be replaced by an information and monitoring clearing-house function, anchored in PREM and PDR. In carrying out the proposed anchor function, PREM and PDR should: (i) establish/maintain a website and help desk for staff on issues related to Bank-Fund collaboration; (ii) coordinate periodic reports to Management on current practices for managing the Bank-Fund relationship, and on the identification of best-practices and policy or implementation issues that warrant institutional-level attention; (iii) ensure that each institution is aware of the other's relevant policy initiatives to prevent failures of coordination during implementation;[23] and (iv) coordinate the substantive Bank-Fund agenda for, and follow-up to, the Spring/Annual Meetings and other relevant international meetings (e.g., UN development summits).

II. Harmonization of Institutional Review Processes

4. The Malan Report raised questions about the coordination of the review process, especially in respect to the Bank's more decentralized structure and processes, urging that PREM's review function be strengthened to allow it to work more effectively with PDR. For jointly prepared policy papers, systems are already in place for ensuring effective

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[23] The Malan Report's call for the coordination of shock-related facilities was triggered by the absence of communications on a new product that was being developed during the time the Committee was conducting its interviews.

collaboration and review. However, as noted below, there are issues for joint Bank-Fund country products and for products managed individually by one institution.

5. **Joint Country-Specific Products**. Processes are already in place for the review of joint products (DSAs, JSANs, and FSAPs), with the general understanding that Bank staff should adhere to the Fund's 3-day time limit for comments and clearances. Given the Bank's organizational structure and 5-day internal review process, important Bank staff comments on joint products may come in after the 3-day deadline has passed. The result can be a disruption of production schedules and reputational damage to the Bank in the eyes of Fund staff.

6. ***Recommendation:*** In coordination with area departments and regions, PREM and PDR should examine review schedules as they apply to joint country products to see how both institutions' needs can best be met. In the context of the "help desk" function, PREM and PDR can assist country teams in advance planning and resolving any operational issues that might arise.

7. **Individual Bank-Managed and Fund-managed Products**. Current practice for the inclusion of colleagues from the sister organization in internal reviews of Bank-managed work (such as development policy operations) or Fund-managed work (such as briefing papers and staff reports) is determined at the unit level, in line with perceived business needs.

8. ***Recommendation:*** Replace current ad-hoc arrangements by clear statements of good practice. Periodic reports by PREM and PDR to review practice across regions and area departments, with recommendations for improvement to respective Managements.

III. INSTITUTIONAL OPTIONS FOR FUNDING BANK-FUND CROSS-SUPPORT

9. For substantive areas in which the Bank is the lead agency, there is currently not a systematic mechanism for Fund staff to secure support from the Bank. One result is that many small but potentially high-return investments in Bank analytic work—whether to top up existing work on PERs, PSIAs, or MDGs, for example, or to carry out de novo work in countries with under-resourced Bank budgets—may be crowded out by spending priorities perceived by country directors to have more direct benefits to Bank programs. In part, these decisions reflect a lack of information, as current practices do not always provide for a timely exchange between Bank and Fund country teams on their work program needs for cross support from their colleagues in the other institution.[24] The underlying issues of the coordination of Bank and Fund country work programs have been addressed by the Country Stream, which has proposed new procedures for upstream sharing of analysis and

[24] Different business models and approaches to analytic work also play a role.

work program needs.[25] Those proposed new procedures will solve some of the problems impeding the flow of analytic work between the two institutions through strengthened (and more upstream) communications. But they will not address all such issues, especially with respect to funding constraints.

10. ***Recommendation:*** PREM/PDR should develop a pilot for a cross-support window to manage formal requests from the Fund for analytic work from the Bank in four areas—(i) "topping-up" existing analytic work; (ii) ensuring complementary work in under-funded country programs; (iii) PSIAs; and (iv) ad hoc rapid response for emerging problems. The pilot should examine the feasibility and plausibility of various sources of funding—from the Bank's budget, the Fund's budget, and/or donors via a trust fund. To manage likely excess demand, PREM/PDR should provide recommendations for optimal rationing, building on existing prioritization mechanisms in the Bank and the Fund. As enhanced resources will need to be translated into professional skills to carry out the incremental work, PREM, SDN, and HD should review their professional skills mix, especially for analyzing the sectoral/macro interface of aid and public expenditures as it affects the economy's supply-side response and growth prospects.

IV. Institutional Practices for Sharing Information, Training, and Facilities

11. The work stream focused on three areas where there appeared to be opportunities for improving the foundations for collaboration by greater sharing—of information, of training, and of facilities.

12. **Information.** Bank and Fund policies and practices constrain the sharing of some information between the two institutions. The disclosure policies of both protect as privileged, information provided to the institution in confidence. The Malan Report urged members to readily consent to the sharing of information provided to one institution with the other; follow-up will need to take place on a case-by-case basis, grounded in business needs and with the full consent of involved member state(s). In other areas, such as the openness of the institutional intranets to the staff of the sister organization and the sharing of drafts and upstream analysis, the constraints reflect differences in their internal functions: the Bank's intranet is open to the Fund, while the Fund's is not, as the IMF intranet provides access to confidential IMF policies and procedures, confidential electronic information, and IMF-specific information on internal operations.

13. ***Recommendation:*** Options will be explored for giving Bank staff access to non-classified information posted on the Fund's intranet. The Bank will also explore setting up an electronic index of country specific documents available on its website.

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[25] According to that proposal, agreements for Bank provision of cross support to the Fund would be managed through Bank country units, as per current budget and work program arrangements between country units and regional network units.

14. **Training.** Joint internal training programs could offer win-win possibilities—cost savings through enhanced economies of scale plus improved communications and understanding among Bank and Fund professional staff. The two institutions offer extensive training programs to their staff with relatively little sharing at present, especially for formal training programs that go beyond one-off public seminars.

15. ***Recommendation:*** FPD/MCM and FAD/PREM should explore the scope for joint training on the financial and fiscal sectors, respectively, and discuss possible implementation with INS and the WBI.

16. **Facilities.** The Bank and the Fund maintain offices in almost 100 countries. The Bank usually occupies commercial space, while the majority of Fund offices are provided by the country authorities. Nonetheless, increased sharing of facilities might facilitate substantive interactions, while contributing to both budgetary savings and efficiency gains, notably in locations where the Fund is currently renting commercial space. Even where the Bank and the Fund do not share premises it might be efficient to share certain facilities, e.g., video conferencing.

17. ***Recommendation:*** TGS and GSD should analyze the scope for increased co-location and/or sharing certain facilities, taking into account costs and business needs. Going forward, as new decisions are taken about locations, TGS and GSD should consider the co-location option, mindful that the ultimate decision will be driven by business needs.

V. Institutional Coordination of Contingency Planning and Instrumentality for Helping Clients to Manage External Shocks

18. The Malan Report called for the Bank and the Fund to work together more effectively in responding to future crises, building on the lessons learned from past experience. In line with this, the two institutions have studied past cooperation failures in responding to crises and clarified their respective roles. Going forward, the capacity response of the two institutions (readiness of managerial and organizational processes and adequacy of instruments) and their ability to collaborate at early stages will remain key factors to respond to an unanticipated crisis and its aftermath.

19. ***Recommendation:*** The two institutions should continue their work in putting in place the capacity to provide a coordinated response in the event of a financial crisis.

Annex C: Bank-Fund Staff Retreat: Following-up on the Malan Report

1. **The July 19, 2007 retreat was organized to discuss the action plan for following up on the Report of the External Review Committee on World Bank and IMF Collaboration**. The retreat agenda is on the next page of this annex.

2. **Retreat participants numbered about 100 senior managers and staff from the two institutions.** The World Bank President and Managing Directors and IMF Managing Director and First Deputy Managing Director participated for part of the day, offering—in their interventions—their strong support for the strengthening of collaboration.

3. **The retreat provided an opportunity to test hypotheses and exchange views—both across work streams and between broader groups of Bank and Fund managers and staff**. To this end, the co-chairs of the six joint Bank-Fund work streams presented their findings and recommendations at the retreat. Their reports are set out in Annex B. Their recommendations are reflected in the JMAP implementation matrix presented in Table 1 of the main text.

4. **After the presentations by the work stream co-chairs, came questions and answers from the floor and follow-up discussion**. Break-out groups fostered more focused debate and cross-fertilization among small groups of Bank and Fund senior staff, on the various diagnostic points and proposed solutions, contributing to the emergence of consensus in critical areas.

5. **Participants generally agreed with the recommendations of the work streams**. An important cross-cutting theme of the retreat was the need for greater upstream coordination and information sharing by Bank and Fund country teams and thematic specialists. This was seen to be happening at present—but not systematically. Going forward, participants generally saw the need to focus on increasing accountability while avoiding formal bureaucratic structures.

Follow-Up to Malan Report
Bank-Fund Staff Retreat

IMF HQ2 – Conference Hall
19 July 2007

Agenda

8:30 AM Coffee/Registration

9:10 AM Opening Remarks by John Lipsky & Graeme Wheeler
9:20 AM Remarks by Mark Allen & Danny Leipziger

9:40 AM Collaboration in Country Programs: Presentations by Co-Chairs of Country Work Stream followed by discussion (Chair: Pamela Cox)
10:45 AM Coffee
11:00 AM Discussion in Breakout Groups
11:45 AM Reports of Breakout Groups

12:15 PM Collaboration in Thematic Programs: Presentations by Co-Chairs of Work Streams on Fiscal, Financial, and Technical Cooperation followed by discussion (Chair: Abdoulaye Bio-Tchané)

1:15 PM Luncheon

2:30 PM Working Session with Rodrigo de Rato & Bob Zoellick

3:30 PM Coffee

3:45 PM Institutional Support for Collaboration: Presentations by Co-Chairs of Work Streams on Human Resources and Internal Processes followed by discussion (Chair: Mark Allen and Danny Leipziger)

5:00 PM Concluding Remarks by Juan Jose Daboub & John Lipsky

Co-Chairs of Bank-Fund work streams:

Country work stream: Siddharth Tiwari (AFR/IMF) & Sudhir Shetty (PRM-AFR/WB)
Fiscal work stream: Sanjeev Gupta (FAD/IMF) & Dana Weist (PRM/WB)
Financial work stream: Christopher Towe (MCM/IMF) & Augusto de la Torre (FPD/WB)
Technical cooperation: Alfred Kammer (OTM/IMF) & Kyle Peters (OPCS/WB)
Human resources: Diana Serrano (HRD/IMF) & John Waterston (HR/WB)
Internal processes: Mark Plant (PDR/IMF) & Carlos Braga (PREM/WB)