

Web Document 3.A: Report on Bank-Fund Collaboration (1998)

Report of the Managing Director and the [World Bank]
President on Bank-Fund Collaboration,
SM/98/226, Revision 1 (September 25, 1998)

I. Principles of Collaboration

1. The Bank and the Fund each have respective Articles of Agreement, mandates and responsibilities. At the same time, they share a critical purpose: to assist their member countries to achieve sustainable growth and development. The Bank and Fund have a long history of working together in pursuit of this common purpose. Collaboration within the framework of the 1989 Concordat . . . has been generally positive and constructive. Nevertheless, the experience gained so far, and in particular that of recent years, has pointed to some areas where collaboration can be further strengthened. The Asian crisis has also highlighted the need for improving collaboration in some respects, and the recent evaluations of the Enhanced Structural Adjustment Facility (ESAF) have indicated the need to reinforce collaboration in ESAF and IDA [International Development Association] countries in order to deliver better programs—which integrate the Bank’s work on structural reforms and social sector issues with the Fund’s macroeconomic analysis more effectively. More generally, the increasing complexities of the global economy, as well as the increased demands on the two institutions and the constraints on their resources, have shown the need to further improve coordination. Stronger collaboration will permit the two institutions to provide the most effective support to the changing needs of member countries. To that end, the Bank and Fund also will seek to more closely involve country authorities in the efforts of the two institutions to improve collaboration.

2. We reaffirm the principles underlying Bank-Fund collaboration as set out in the 1989 Concordat. This report also proposes improvements in existing collaborative arrangements in order to foster closer and more effective working relationships between the staffs of the two institutions and thereby strengthen our advice and assistance to member countries. For some of these initiatives work is actively under way.

3. The 1989 Concordat recognized the increasing overlap of the two institutions' activities in preceding years and that neither macroeconomic nor structural policies can be evaluated in isolation. In order to strengthen the framework for collaboration and reduce the risk of conflict and duplication, the Concordat delineated the areas of primary responsibility of each institution. It stated that (i) the Fund has a mandate and primary responsibilities, as well as a record of expertise and experience, ". . . with respect to surveillance, exchange rate matters, balance of payments, growth-oriented stabilization policies and their related instruments"; and (ii) the Bank has a mandate, primary responsibility for, and expertise and experience in ". . . the composition and appropriateness of development programs and . . . priorities," including structural and sectoral policies, except for the aggregate aspects of macroeconomic policies and their related instruments. The Concordat also recognized that, ". . . the Bank and the Fund must be allowed to explore their legitimate concerns with regard to macroeconomic and structural issues . . .," but ". . . each institution should rely as much as possible on analyses and monitoring of the other institution in the areas of primary responsibilities of the latter, while safeguarding the independence of institutional decisions." The Concordat set out strengthened procedures for Bank-Fund collaboration and for resolving any remaining differences of view between the two institutions.

4. The Concordat has effectively guided Bank-Fund collaboration during the last several years. On a daily basis, in numerous areas and in many countries, the staffs of the two institutions have worked together constructively. Close collaboration was, and is, key to the development and implementation of the Initiative for heavily indebted poor countries (HIPC). On occasion, however, there have been strains in collaboration. To improve the way in which the two institutions work together and best serve our membership, this report describes some changes in procedures and practices aimed at assuring effective coordination in our operations.

5. The principles of the 1989 Concordat hold true, and underpin the proposals for strengthening the existing collaborative arrangements. Three principles are central:

- **Clarity for members.** Countries in which both institutions are actively involved need to have a clear understanding of which institution has primary responsibility in any given area of policy advice and reform. When developing their policies and reform programs, countries should be able to draw upon the expertise of staff residing in both institutions under their respective mandates, and on other sources.
- **Full consultation between Bank and Fund.** Before finalizing its position on key elements of a country's policies and reform agenda, each institution will solicit the views of the other and share its own evolving thinking at as early a stage as feasible. This should lead to better policy advice and program design benefiting from the perspectives of both institutions. When there are differences of view between the two institutions about policies and priorities in countries where both are involved, and the disagreement cannot be resolved at the staff level, the issue will be raised at the level of senior

management for resolution. If agreement still cannot be reached, the views of the institution with primary responsibility will prevail in the final advice to, or negotiations with, a member country, and such differences will be reflected in reports on the country to the Executive Boards of the two institutions.

- **Each institution retains separate accountability for its lending decisions.** Programs supported by the Bank and Fund should be complementary and part of an overall reform agenda owned by the member country. The Executive Board of each institution will be made aware of the total package and of how the components covered by one institution complements the parts supported by the other. At the same time, each institution must proceed with its own financial assistance according to the standards laid down in its Articles of Agreement and the policies adopted by its Executive Board. Any differences of view between the two institutions will be reported to the Boards when approval to support a program is sought.

6. Given the importance of structural factors as a source of macroeconomic instability, especially in a more integrated global economy, and of the macroeconomic environment for advice on structural issues, it is essential to have early and close coordination of the Fund's macroeconomic policy advice and the Bank's advice on structural issues. To facilitate this collaboration, efforts are needed to clarify and, where possible, sharpen the division of primary responsibilities between the two institutions.

7. While the broad delineation in the 1989 Concordat of the areas of each institution's primary responsibilities continues to be appropriate, there remains an overlap in some areas—because of the interaction between macroeconomic and structural aspects—and there are some newer areas of activity not covered in the Concordat. Areas of overlap in which both institutions have a mutual interest include elements of financial sector work and some elements of public sector reforms, where traditionally both institutions have been involved. For the financial sector, the roles and responsibilities of the Bank and Fund are discussed and clarified in *Review of Bank-Fund Collaboration in Strengthening Financial Systems*, SM/98/224 (9/2/98) and SecM98-732 (9/3/98). In the public sector, primary responsibility in public enterprise reform, public expenditure (composition and efficiency),¹ administrative and civil service reform resides with the Bank. The Fund has primary responsibility for the aggregate aspects of public sector spending and revenues. Tax policy and administration is an area of overlap.² There are overlapping responsibilities in issues of transparency, governance, corruption and legislative reform, trade policy, and debt. New areas of work, whose importance has emerged more recently, include notably, corporate sector (restructuring, accounting, auditing and disclosure, and governance), judicial reforms, environment, and social

¹The Fund has also provided extensive advice on public expenditure management, including in support of the Bank's work. The 1995 joint guidance note *Bank-Fund Collaboration on Public Expenditure Work* sets out procedures to enhance collaboration in this area of work.

²In recent years, in practice the Fund has been increasingly active in these areas.

protection and development where the Bank has primary responsibility. Staff is working on clarifying the delineation of responsibilities in the overlapping areas of the work of the two institutions;³ and particular focus is being given to improve the content, timeliness and coordinated delivery of policy advice and assistance in the financial and public sectors.

8. However, given the complexity of the issues across a broad array of areas faced by our members, the overlap of responsibilities and expertise in some areas, and the different perspectives of the two institutions, it is imperative that Bank-Fund collaboration be strengthened. This will help enhance the institutions' capacity to respond and quickly deliver integrated stabilization and structural reform programs in crisis and other situations. At the same time, it should be recognized that differences of view between the Bank and Fund will inevitably emerge on occasion. It is important that these differences not be to the detriment of a country's adjustment efforts. To help assure the coordination of advice and resolution of disagreements at as early a stage as possible and the efficiency of resource use in the provision of advice and assistance to member countries, measures are in train and are proposed to improve procedures for coordinating activities; these are described in Sections II and III below. To that end, coordination of advice and the resolution of disagreements should be undertaken at as early a stage as possible.

9. The managements of the Bank and the Fund believe that it is of the utmost importance to ensure the closest possible collaboration between the two institutions in order to serve member countries to the highest possible standards. This report clarifies the framework of coordination and delineation of responsibilities between the two institutions' operations and describes improvements to operational mechanisms that are under way to ensure close coordination and to manage the unavoidable overlaps that will remain in some areas. These measures will also contribute to the efficiency of resource use in the provision of advice and assistance to member countries. Constructive working relations, as well as strengthening the culture of collaboration between the two institutions and the spirit in which it is implemented, are especially important for ensuring that collaboration is effective. In this regard, the strong commitment of management and a reinforcing of incentives for collaboration will underpin the efforts of the two institutions.

³Considerable progress has been made over the past year in the area of financial sector work, while ongoing efforts in the areas of the public sector, trade policy, and data are advancing.

II. Enhancing Collaboration in Specific Types of Operations

1. Surveillance

10. Surveillance over members' economic and financial policies is at the core of the Fund's mandate. Fund surveillance is a continuous exercise and is carried out through various mechanisms. As part of this, and in accordance with Article IV of its Articles of Agreement, the Fund holds Article IV consultations, normally each year, with each of its members, and has regular informal staff and management contacts with country authorities between consultations, in order to foster the conditions for orderly growth and macroeconomic and financial stability; also, the Fund's Executive Board meets informally on a regular basis to review economic conditions and policies in member countries that merit prompt attention. These consultations cover the member's fiscal, exchange rate, trade, and monetary policies; its balance of payments and external debt developments; and the impact of the member's policies on its external accounts. Reflecting the interaction of structural and macroeconomic issues, these consultations touch on all policies that significantly affect the macroeconomic performance of a country. For example, beyond the core macroeconomic issues this may include issues related to the financial sector, labor market, military expenditure, economic aspects of governance, the environment, and the social sector. Particularly in response to the 1995 financial crisis in Mexico, and more recently in the context of the Asian crisis, efforts to strengthen Fund surveillance have been undertaken. These efforts have focused on improving the quality, timeliness, and coverage of member countries' data; strengthening the dissemination of information, including through the establishment of the Special Data Dissemination Standard in 1996 and the General Data Dissemination Standard in 1997; developing and monitoring standards related to the financial system (in collaboration with the Bank and other international agencies), monetary and financial policies, and fiscal transparency; giving greater attention to financial sector and capital account issues;⁴ strengthening the continuity of surveillance, including through greater use of follow-up procedures after Article IV consultations; reinforcing the candor of Fund documents and consultations; and increasing transparency by making the Fund's views on members' policies available to the public in a more systematic and timely manner, while respecting confidentiality.

11. In carrying out its surveillance, the Fund informs itself of the work done on all countries by other organizations, such as the Bank and the OECD. The Fund's analysis should be more in-depth in areas where it has primary responsibility; in areas where the Bank (and others) have the lead, the Fund would primarily aim at identifying areas of potential difficulty, and learn from, and use in its own analysis the work undertaken by

⁴See *Guidance Note for the Monitoring of Financial Systems Under Article IV Surveillance*, SM/98/151 (6/19/98).

the Bank (and other organizations). The extent to which this would be feasible would depend on the degree of involvement of the Bank and other international institutions in the country; and in those countries and policy areas where the Bank and others are less active, Fund staff would necessarily undertake work in more depth on a broader range of issues in carrying out surveillance.

2. Coordination of policy advice and lending programs

12. When both institutions are involved in policy-based lending to a country, the host authorities and other partners need to have a clear understanding of which agency has primary responsibility for giving advice on policies and reforms in any given area. When developing stabilization and structural reform programs with the authorities, Bank and Fund staff should reach understandings, as soon as feasible, on how the overall delineation of primary responsibilities and activities will be applied in that country context; a common timetable of actions to be taken within the comprehensive reform program would also be laid out. The host country should take the lead in developing their policies and reform program, and each institution should be prepared to provide assistance in its areas of primary responsibility and expertise. These principles are affirmed in the 1989 Concordat, and have been a common fabric in the programs supported by the Bank and Fund; such coordination is explicit in the preparation by the country's authorities with the Bank and Fund staff of Policy Framework Papers (PFPs) in low-income countries.

13. Early and effective coordination is important in cases where the country's program supported by one institution includes macroeconomic and structural measures which fall within the other institution's areas of primary responsibility. In these circumstances, advice to the authorities on the design of measures in the country's program should be provided by the institution with primary responsibility. Each institution will also be responsible for monitoring and evaluating performance on policy measures that fall within its primary responsibilities; in order to facilitate this, program reviews by each institution should be closely coordinated to the maximum extent possible. Integration and coordination of the views of either institution will require timely input from the other institution, which should help deliver better program design benefiting from the perspectives, experience and expertise of both institutions. In situations where either institution does not have the capacity or is unable to provide policy advice and expertise, it would not be possible for it to provide input to the full extent described above. In such cases, whichever institution can provide input should do so in order to ensure that the country's program does not suffer. At the same time, the institution that is unable to provide input would review its work priorities with a view to better aligning them to the requirements of the country's program.

14. To present a clear picture of the programs they support within the overall policy framework, the staffs should make clear to the authorities and their respective Executive Boards where the primary responsibilities for policy design, implementation, monitoring

and evaluation of both institutions rests. When presenting documents to their respective Executive Boards, the two staffs will indicate how programs supported by both institutions complement each other in supporting the overall reform agenda of the Government.

15. When the staff of the two institutions disagree on major issues of program design or specific components, it is essential that this not complicate the policy and reform efforts of member countries and that they be resolved at as early a stage as possible. As regards the two institutions' interactions with the member country, conflicts of view should not result in differing policy advice to the authorities. With respect to the Bank and Fund's internal procedures, if the disagreement cannot be resolved through staff level interaction, the issue will be raised at the level of senior management for resolution. If the issue cannot be resolved at the management level before a Bank lending operation or Fund-supported program is to be presented to the respective Executive Board, then management would highlight the disagreement to the Board prior to the Board discussion, as is provided for under the 1989 Concordat. Management will indicate the nature of the disagreement and ensure that staff from the other institution are present at the Executive Board discussion to present their views. On the rare occasion, if any, that a lending operation would be forwarded to the Executive Board of either institution which involved disagreement on a significant policy issue, the disagreement and reasons for going ahead would be set out in a written statement to the Board.

3. Crisis management

16. In times of crisis speed is of the essence, and the Fund's operational procedures are geared to delivering a short-term stabilization program and providing liquidity support under a tight timetable. By contrast, structural reform programs supported by the Bank take relatively more time to prepare and the financing is tailored to the implementation and capacity-building needs of the reforms over longer time periods. At the same time, the linkages between macroeconomic, financial and structural issues underscore the need to provide for an appropriately sequenced and integrated policy framework. Ideally, in countries where the Bank is active, ongoing collaboration on identifying vulnerabilities and formulating a program of advice, would reduce the risk of crisis and, in the event, allow for a prompt and effective coordinated response by the two institutions.

17. In the immediate response to a crisis a clear focal point for advice is essential. Given the Fund's focus on, and experience with, delivering timely liquidity support, it has responsibility for the overall stabilization program. At the same time, the Bank would normally be consulted on, and included in, program formulation from the outset, with particular attention to structural issues on which the Bank has primary responsibility.⁵ Bank staff participation in Fund missions or parallel missions would help

⁵This would be the normal expectation. However, the Bank may not be involved when the country is a non-borrowing (Part 1) country, or when the Bank does not have an involvement in the country that could be a basis for providing input.

ensure that the early policy actions are consistent with the needs of the medium-term structural reform program that may emerge from a more in-depth analysis. Follow-up missions on detailed structural reforms that are in the areas of the Bank's primary responsibilities would be led by Bank staff, with Fund staff participation as appropriate. In addition, the elements of Bank-supported structural reform programs would be incorporated into the overall policy and reform agenda, for example, through the review process of the program. When the Fund sought the Bank's input, but the Bank was unable to provide the needed advice, the Fund may need to recommend urgent structural reforms based only on preliminary understandings with the Bank, and without the benefit of complete information on the requirements of longer-term development programs.

4. Structural policies

18. In the area of structural policies, the Bank will be undertaking intensive assessments—Structural Policy Reviews (SPRs)—for a number of countries. The SPRs will help underpin the Bank's Country Assistance Strategies and will build on the more detailed economic sector work in the Bank. They will also help countries sharpen their structural and institutional reform priorities and the Bank's country directors identify areas where additional work is most needed and urgent; and will include plans on how to deal with major structural weaknesses. This should permit better coordination of structural policies with stabilization programs, and will allow the country authorities and the Bank to move more quickly and effectively in coordination with the Fund when vulnerabilities become manifest or if a crisis occurs. The Bank is currently undertaking a small number of pilot SPRs covering all regions and both middle and low-income countries.

5. Strengthening financial systems

19. The Bank and Fund recognize the need for enhancing collaboration in financial sector work in view of the importance of close monitoring of financial system developments, and because the need to assist member countries facing financial sector difficulties far outstrips the resources available to either institution. The importance of these issues has been underscored by the emergence of financial crises in Asia. For these reasons, efforts are being made to more clearly delineate the respective roles of the two institutions, to strengthen coordination in policy advice and programs, and to improve resource use. These efforts are described, most recently, in *Review of Bank-Fund Collaboration in Strengthening Financial Systems*, SM/98/224 and SecM98-732. That paper also describes the modalities for further collaboration in strengthening financial systems, including work on developing policies, standards, and best practices; operational procedures for financial system monitoring under Fund surveillance, program assistance, and the Bank's development work; crisis management assistance; and strengthened coordination procedures.

20. Furthermore, in order to improve collaboration a Financial Sector Liaison Committee is being established. The primary objectives of the Committee are to enhance operational coordination by facilitating early agreement on the delineation of work by Fund and Bank staff on the financial sector in individual countries, and to help optimize the use of staff and experts in both institutions. The Committee would also facilitate the dissemination of good practices and standards and help to resolve differences of view on recommendations or approaches regarding financial sector issues. This would help assure priority needs are identified and met, and provide clarity to member countries on the advice and responsibilities of both institutions. The Financial Sector Liaison Committee will comprise senior staff of the Monetary Affairs and Exchange (MAE) and the Policy Development and Review (PDR) Departments of the Fund, and of the Financial Sector Board (FSB) and the Poverty Reduction and Economic Management (PREM) Network of the Bank; area and regional staff would participate in discussions concerning their countries.

6. Public sector reform

21. In recent years, both the Bank and the Fund have intensified efforts to enhance the quality of advice for public sector reforms. This includes an increased attention in the design of stabilization programs to protecting and, in some cases, increasing productive spending on social services, including basic health, primary education and infrastructure. There has also been greater focus on the data collection, monitoring, and evaluation of the “outputs” from social spending by the Bank. The Bank has taken steps to enhance its capacity to deliver advice and assistance for public sector work, especially as regards countries’ ability to produce and deliver public goods and services essential for poverty alleviation. The Bank is also undertaking a review of the content and timeliness of its public expenditure reviews, with the aim of targeting them more effectively. These efforts will help ensure full and timely integration of structural reforms in these areas in stabilization and adjustment programs. Mechanisms to strengthen collaboration in public sector work of the two institutions have been established in recent years, including guidelines on social expenditure work, and an annual joint review is undertaken for aligning the Bank’s public expenditure review work program and the Fund’s country work.⁶ Building on existing procedures, appropriate mechanisms to better coordinate the public sector work of the two institutions will be explored by the Fund’s Fiscal Affairs Department (FAD) and the Bank’s Public Sector Board (PSB).

⁶Mechanisms that aim to coordinate the forward-looking needs of the Fund’s country work and the Bank’s public expenditure work program were established in 1995 (joint guidance note to Bank and Fund staff, *Bank-Fund Collaboration on Public Expenditure Work*).

7. Enhanced coordination in low-income (ESAF/IDA) countries

22. In the recent internal and external reviews of the ESAF, and in the Fund's Executive Board review of these evaluations, the need for better integration of structural, social sector, and macroeconomic policies and reforms was highlighted as key to the success of ESAF-supported programs. The managements of both the Fund and the Bank are committed to enhancing collaboration in the formulation and implementation of reform programs of low-income countries; and measures to achieve this are described in *Distilling the Lessons from the ESAF Reviews*, EBS/98/105 (June 16, 1998) and in *Proposed Pilot Program in Enhanced Bank-Fund Collaboration in Low-Income Countries*, SecM98-731 (September 3, 1998).

23. The focus of strengthened collaboration will depend on the specific circumstances of the country, but particular attention will be paid to accelerating public enterprise and financial sector reform, the potential adverse social consequences of a program, and assessing medium-term investment needs and related capacity to absorb external financing. Several countries are being selected as pilot cases to experiment with new ways to enhance Bank-Fund collaboration in low-income countries.⁷ Together with the country authorities, Bank and Fund teams would work closely to build a medium-term plan to establish macroeconomic stability, to move ahead decisively with structural reform, and to build institutions with the help of coordinated international technical assistance. This plan would be elaborated in an appropriate document—determined by the authorities and the two staffs and which could, but need not, be similar to a Policy Framework Paper (PFP)—that would foster ownership by the authorities, and would coordinate technical assistance of the Fund, the Bank, bilateral creditors, and other agencies.

24. To encourage innovative and successful approaches, Bank and Fund staff teams will be free to establish their own *modus operandi* with flexibility and open communication, while respecting the guidelines of the 1989 Concordat and their elaboration in this paper. Moreover, the teams will report jointly to the top managements of both institutions on a regular basis on progress and problems in the reform process as well as on their experiences in overcoming any difficulties that may have arisen and the lessons for collaboration. The staffs would also report to both Executive Boards before approval of an ESAF arrangement or IDA operation and periodically thereafter on program design and developments.

25. The experience with the pilot cases will be assessed after 12–18 months on the basis of a report to the managements of both institutions. This assessment will consider the experience with collaboration per se, and gauge the success of program design and implementation. Lessons on possible procedural improvements and recommendations for operational changes could then be considered jointly by the Bank and the Fund.

⁷See *Distilling the Lessons from the ESAF Reviews*, EBS/98/105 (6/16/98), for a detailed description of the objectives and modalities of the pilot cases. Staff are working on identifying the pilot countries.

While this effort would be distinct from other efforts to enhance collaboration, it would complement (both informing and being informed by) these wider efforts.

8. HIPC Initiative

26. The HIPC Initiative—a joint Fund-Bank Initiative—has required close collaboration between country teams and the central policy units managing the Initiative. This has involved a change in work practices, more joint missions, and a shared production of joint documents. This has contributed to a cooperative and productive working relationship, often under significant time pressures, and is an example of successful Bank-Fund collaboration. This collaboration has been productive with nine countries reaching the decision point so far in less than two years. It has been an intensive undertaking that involved joint analyses and Board documents, and all HIPC decisions must be made by both Bank and Fund Executive Boards (in consultation with other creditors). The need for close collaboration has of course required some learning on both sides, and there have been lively debates on some issues—which is natural when two separate but linked institutions join in a single project—that have helped clarify and strengthen the implementation of the Initiative. An important issue has been to achieve an appropriate balance between the separate accountability that each institution requires for its own lending operations (ESAF and IDA), while at the same time satisfying the needs of the joint Initiative.

9. Post-conflict countries

27. Post-conflict countries face particularly difficult challenges in trying to restore social order and economic growth, and their resource needs typically far exceed their own capacity. Many of these countries are poor and highly indebted, and in some cases have high levels of arrears to multilateral institutions and bilateral creditors. International assistance to these post-conflict countries can make a real and significant contribution. The Bank and Fund have contributed across a wide range of fronts in concerted international efforts to assist post-conflict countries, and this has achieved a considerable measure of success. Nevertheless, for some countries facing large pro-rated arrears to multilateral institutions, there is a need to consider ways in which to strengthen the Bank and Fund's assistance. As a first step, the staffs of the Bank and Fund have prepared a joint note for the Development and Interim Committees that considers the issues involved in the provision of additional assistance to these countries.⁸ The two staffs are also considering possible approaches and modalities for providing more and earlier financial assistance to post-conflict countries and will report on them to the Executive Boards of the Bank and Fund in due course.

⁸*Issues Note on Providing Assistance to Post-Conflict Countries*, (EBS/98/155) and *Assistance to Post-Conflict Countries*, (SecM98-729), September 1, 1998.

III. Improving Operational Mechanisms and the Collaborative Environment

28. The 1989 Concordat provides a framework for, and encourages, close collaboration between the Bank and Fund. However, experience points to the need to buttress operational procedures in a number of areas to improve the collaborative environment and strengthen the joint work of the two institutions. These improvements would not entail any change to the existing principles governing collaboration, but would seek to establish more clarity and openness in decision-making and information sharing, together with adequate assurances of confidentiality. They would also involve the authorities more closely in the process of collaboration in light of the objective of the task at hand. The predominant focus of collaboration will remain staff contacts at the country level, and encouraging a high quality of working relationships will be important. Thus, proposals aimed at strengthening the culture of collaboration are under way or under consideration.

1. Clear assignment of decision-makers and designation of contact points

29. A range of staff and experts in each institution have input into the analysis and development of policy issues and reform needs. At times this has led to a lack of clarity about the locus of responsibility for policy decisions, and time-consuming searches for the “right person” to discuss issues related to country work and matters connected with Bank-Fund collaboration. Therefore, to promote efficient and timely coordination, efforts are being made to clearly assign decision-makers—who have authority to speak for the institution on policy issues at headquarters and in the field—and to designate contact points for the timely exchange of information. The importance of these procedures has been underscored by the recent experience in crisis management, where speed has been of the essence, and by the Bank’s recent internal reorganization with greater emphasis on decentralization and closer links to client countries.

30. Focal points of responsibility are present at three levels in each institution. At the overall institutional level, the focal point for collaboration is the Director of the Policy Development and Review (PDR) Department of the Fund and the Vice President of the Poverty Reduction and Economic Management (PREM) Network of the Bank. Their discussions are supplemented by the regular consultations between the senior level managements of the two institutions—at the level of the Fund’s Managing Director and the Bank’s President, as well as the Fund’s Deputy Managing Directors and the Bank’s Managing Directors. The locus for responsibility for all the institutions’ operations in each country is the mission chief in the Fund and the country Director or “local anchor” in Washington in the Bank. These counterparts will meet regularly to coordinate their activities to ensure the consistency of operations in the Bank and Fund within a common framework for each country. Their dialogue is also supplemented

by consultations between area department Directors of the Fund and regional Vice-Presidents in the Bank. For the policy and functional areas—the financial and public sectors—where there is the greatest overlap in the activities of the two institutions, strengthened focal points for collaboration are proposed. For financial sector work, a Financial Sector Liaison Committee (described above) of senior representatives of the affected departments is being established. As noted above, appropriate mechanisms will be found to coordinate the activities of the Fiscal Affairs Department (FAD) in the Fund and the Public Sector Board (PSB) in the Bank; country-related work would continue to be channeled through the area and regional departments.

2. Information sharing, a new electronic information system, and assuring confidentiality

31. Regular meetings between the two staffs at all levels as well as routine exchange of information, including documents on specific issues and countries, are vital for enhancing further Bank-Fund collaboration. It is important to promote a common view on policies and technical assistance and on the schedule for implementation, especially in the preparatory stages of missions, which can be shared with national authorities. In this regard, Fund and Bank staff should seek comments from the staff of the other institution on briefing papers and terms of reference before they are finalized, to the extent feasible. To this end, existing procedures for the exchange of information, including mission briefings, terms of references, missions' back-to-office reports, technical assistance reports, other country-related information, and future country work and mission plans are being reviewed (see below).⁹ Existing guidelines provide for Department Directors and Vice Presidents to exercise discretion over whether, and where, specific documents are sent to the other institution. Over time, this has contributed to the emergence of a range of practices, which may, in some instances, have resulted in insufficient collaboration in this area. Accordingly, current practices are being made more systematic, and the responsibilities of staff made clearer.

32. In addition, work is under way to establish an electronic information system that would permit staff and management of the two institutions to have easy access to relevant and current information regarding each institutions' work in individual countries, plans for operations therein, and the personnel involved in the various aspects of the work. The ready access to, and currentness of the information, would facilitate the coordination of work plans and mission schedules, and help identify focal points in both institutions, especially when changes are being made to existing plans and arrangements. To foster consensus on areas of common work, where a range of views

⁹There are already well-established formal guidelines for the exchange of Board documents by the two Secretary's departments. In the context of financial sector work in crisis countries, the Fund's MAE Department and the Bank's FSB have clarified procedures and requirements for the exchange of papers and information.

exist, Fund and Bank staff would continue to make particular efforts to coordinate and share analytical work. Where appropriate, this could include consultations with the outside community.

33. While both institutions are moving towards greater transparency in their operations, they must also be mindful of the sensitivities of authorities with regard to safeguarding confidentiality. This is particularly important in the internal operations of the Bank and the Fund in order to ensure an open and frank dialogue with member countries. Each institution has well-established confidentiality guidelines and requirements for staff, but there is a need for a set of shared rules for the exchange of information between the two staffs. To this end, a joint working group will review existing arrangements and make proposals where needed for new confidentiality procedures and requirements, including in the internal procedures of both institutions where appropriate. For example, it would be helpful to agree upon and outline the channels and scope of data sharing, and to communicate them to the authorities concerned. An essential element of such agreements would be assurances that consultants and outside experts to both institutions would be held to the same high standards of confidentiality as regular staff.

34. It is also important that senior management of the Bank and Fund share information and views on significant policy issues and countries, especially on countries that may be at risk. Thus, as is the practice now, the First Deputy Managing Director of the Fund meets frequently with the Senior Managing Director of the Bank on a monthly basis, or more often if needed, with the Director of PDR of the Fund and the Vice-President of PREM of the Bank attending, and other department heads taking part as appropriate. Also, the Managing Director and the President of the two institutions meet on a regular basis.

3. Strengthening the culture of collaboration

35. There is clear commitment and support for collaboration by both institutions and the Bank and Fund are focusing on strengthening the culture of collaboration. This commitment will be signaled afresh to Bank and Fund staff. We will be paying particular attention to the collaborative efforts under the ESAF pilot cases; and Bank-Fund collaboration issues will continue to be taken up in the regular meetings of senior and top management of the two institutions. To strengthen accountability and incentives to ensure that this commitment is instilled at all levels and in all activities of each institution, it is proposed that staff performance assessments take account of collaboration efforts by the staff.

4. Cross-participation and parallel mission, parallel and joint missions

36. Bank and Fund missions working jointly in the field is important for [the] coordination and experience has shown that cross-participation in each institution's missions and parallel missions are effective ways to facilitate the coordination and timely integration of macroeconomic and structural policies in countries' programs and reform agendas. Taking into account staff resource constraints, more frequent cross-participation and parallelism, parallelism, and joint missions is planned where substantial and timely input from one or the other institution is needed. To be most effective, in cross-participation and joint missions the participating Bank or Fund staff should have a clear assignment of responsibilities, including the representation of the position of the Bank or Fund, respectively. The modality of the mission work—cross-participation, parallel or joint—also will take into account the needs of the authorities and the objective of the work to be undertaken.