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FROM: The Acting Secretary

INFORMAL MEETING - JULY 26, 2001

World Bank-IMF Collaboration on Conditionality

Chairman's Summary

Attached is the Chairman's Summary of the discussion at the informal meeting held on July 26, 2001, of the joint Bank/Fund paper entitled *World Bank-IMF Collaboration on Conditionality* (SecM2001-0461). As discussed at the informal meeting, a revised joint paper reflecting Executive Directors' comments at the Bank and the Fund will be circulated shortly, and Executive Directors will be given a period of time in which to comment on the paper before it is posted on the Bank's external website.

Questions and comments on this summary may be referred to Mr. Koeberle (X32269) or Ms. Salop (X37499).

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA

World Bank-IMF Collaboration on Conditionality

Chairman's Summary Informal Meeting—July 26, 2001

1. Directors welcomed the paper on collaboration between the World Bank and the IMF in supporting country development through more coherent and streamlined program conditionality. They said it was an important topic, and timely, especially in view of recent progress in a number of areas, including on the HIPC and PRSP approach in low-income countries; the introduction of the PRGF in the Fund and the PRSC in the Bank; the conclusions of the Bank's Middle Income Task Force; the IMF's initiative to streamline its conditionality; and the Bank's recent review of adjustment lending. Some Directors called for an early discussion of Bank conditionality.
2. Directors reaffirmed the principles set out in the 1998 agreement between Bank and Fund Managements—clarity about responsibilities, early and effective consultations, and distinct accountabilities. They welcomed the proposals to strengthen implementation of these principles—especially if they would translate into simplification for borrowers—and made further specific suggestions for strengthened collaboration, including the harmonization of conditions in country programs where needed, and upstream coordination of Bank and IMF programs and missions. Some Directors stressed the importance of looking at the budget implications of the paper, and the need to strengthen the Bank's ability to deliver in a timely manner. Directors urged Management to follow-up on the paper with guidelines to staff.
3. Directors agreed that early and clear delineation of responsibilities within a country-led framework would ensure more effective partnership and programs of support from the Bank, Fund, and others. In this regard, most Directors agreed that the policy advice and design of programs supported by the Bank and the Fund needed to be consistent and, wherever possible, integrated within a coherent overall country framework. However, several Directors cautioned that the designation of lead agency and sharing of views on policy priorities should not undermine country ownership, that these steps should be applied flexibly and based on country circumstances, and that they should not lead to cross-conditionality. They emphasized that each institution—and Board—would retain ultimate responsibility for its own lending decisions, so that Bank and Fund programs and conditionality would be mutually supportive, and together support the country's program, while avoiding cross-conditionality.
4. Directors agreed that systematic and early sharing of information between Bank and Fund staff was essential. Noting that enhanced collaboration on and simplification of conditionality can happen only if there is strengthened cooperation throughout the country program cycle, many Directors welcomed the proposed upstream reviews of conditionality and more systematic inputs from Fund into Bank Country Assistance Strategies, and from Bank staff into Article IV consultations. Directors agreed that as a vehicle for strengthening transparency and staff accountability, future Board documents discussing proposed Bank and Fund support for country development should set out clearly the views of the staff of the lead agency. They noted that this practice was

already common at the Bank, where President's Reports and tranche release documents for adjustment lending typically set out the views of Fund staff on the macroeconomic situation.

5. Directors agreed that a comprehensive approach to Bank-Fund collaboration has proven effective and appropriate in low-income countries that have embarked on the PRSP process. They noted the importance of strong collaboration not only in countries with Bank PRSCs and IMF PRGFs, but also in countries where Bank support remained focused on other analytic and lending assistance, with PRSCs planned for the future. Directors emphasized the critical role of systematic analytic and diagnostic work through Bank ESW, as a basis for effective and timely Bank support in the social and structural areas. They also stressed the importance of ex-ante social impact assessments for guiding the specification of Bank and Fund programs and conditionality. Directors emphasized the need for flexibility and customization of the specific collaboration arrangements to the circumstances of individual countries. They noted that Bank and Fund used similar coordination mechanisms in post-conflict countries, with programs reflecting the specific challenges in such countries of economic and social stabilization and of re-building institutions and physical and human capital.

6. Directors cautioned that flexibility in strengthening Bank-Fund collaboration was especially important for middle-income countries (MICs), given the diversity of country circumstances and that there is often no overarching country-led framework such as the PRSP for low-income countries. They welcomed the efforts by Bank-Fund Managements to strengthen collaboration in middle-income countries, with a clearer division of labor and better upstream consultations—with the objective of providing more effective and timely support to these countries at lower cost to all parties. Some Directors suggested that it would be useful to consider a JIC-type mechanism for staff working on MICs.

7. Directors agreed that it would be useful to review progress on collaboration in about one-year's time. Directors stressed that it would be important to learn from the lessons of experience on the modalities of collaboration and on ways to strengthen ownership and improve the streamlining of conditionality. In this, the Bank and the Fund should continue to seek feedback from clients and other stakeholders; and to engage the independent evaluation units of both institutions.

8. Directors welcomed that the joint paper would be disclosed after revisions to reflect Directors' comments during the discussion. The Chairman concluded that the paper would be revised and circulated to Directors one week before posting it on the web. This summing-up would also be disclosed along with the summing-up from the discussion at the Fund Board.