GROUP OF TWENTY

Coordination Between the International Monetary Fund and Multilateral Development Banks on Policy-Based Lending: Update on the Implementation of the G20 Principles

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*The note does not necessarily reflect the views of the Executive Boards of the AfDB, ADB, AsDB, IDB, IMF, and WB.

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I. INTRODUCTION

1. In March 2017, the Group of Twenty (G20) devised "Principles for effective coordination between the International Monetary Fund (IMF) and Multilateral Development Banks (MDBs) in case of countries requesting financing while facing macroeconomic vulnerabilities." The Principles drew on the stock-taking exercise presented to the G20 International Financial Architecture Working Group in February 2017 (IMF and MDBs, 2017), on the practices of coordination between MDBs and the IMF in provision of financial assistance to countries facing significant balance of payment (BoP) pressures. The Principles highlight the importance of the coordination between the institutions in the decision-making process for such financial assistance to be most effective, while clarifying that each institution should remain responsible for its lending decisions and be independent in reaching them. They also lay out recommended tasks for MDBs and the IMF to enhance coordination (Annex I).

2. Over the past year, staffs of the IMF and the MDBs that provide "budget support" have worked together to implement the Principles. The MDBs that have been providing budget support for countries facing macroeconomic vulnerabilities include the African Development Bank (AfDB), the Asian Development Bank (ADB), the Inter-American Development Bank (IDB), and the World Bank (WB).[1,2] This note reports on actions taken by the IMF and the MDBs. In particular, channels of "upstream" exchanges of views between senior managers have been strengthened.

II. G-20 PRINCIPLES

A. MDB Tasks

3. This section presents the broad approach that the MDBs have adopted in implementing the G20 principles. All MDBs' approaches are consistent with the underlying goals of implementing sound policy frameworks and enhancing macroeconomic policy coordination among international financial institutions, especially during periods of macroeconomic vulnerability.

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[1] In this report, the term "budget support" refers as well to "policy-based lending," and "policy-based financing."

[2] Other MDBs including the Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IsDB), and the New Development Bank (NDB) do not provide "budget support" lending. So far, the interaction between the IMF and these other MDBs has been limited, except with the EBRD, which is actively and regularly engaged in exchanges of views with IMF staff, both at country-team and senior-management levels. Collaboration is strongest in countries, where macro-financial stability and growth are contingent on implementing structural reforms and unlocking the potential for private sector development. Moreover, for project finance with macroeconomic significance (such as in the energy or financial sectors), EBRD teams are generally in close discussions with the relevant IMF teams, including in the context of IMF programs, with a view to reinforcing (and possibly cross-referencing) conditionality on macro-critical structural issues. Further, IMF reports are typically used—among others—as input materials for EBRD's internal economic briefings, updates, and forecasts (which in turn underpin the assessment of economic viability of individual projects). The results of the IMF-WB debt sustainability analysis, as well as IMF conditionality on the contracting of external debt, are usually also taken into account when assessing the room for sovereign lending to countries of operations.

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Given that MDBs vary in their institutional mandates, governance structures, and needs of their borrowing members, Annex II presents MDB-specific implementations.[3] The following re-states each G20 Principles and then provides an update.

Engage in a regular dialogue with the IMF to proactively identify potential opportunities for coordination and to ensure consistent policy signaling.

4. MDB staffs engaged in both macroeconomic and macro-critical sectoral policy issues communicate regularly with IMF staff at all levels, both formally and informally. The specific processes for channeling this communication vary depending on the structure and development mandates of each institution, but in all cases, there is an emphasis on ensuring coherence and complementarity during the consideration of policies and projects, and in policy engagement with country authorities. Coordination between the institutions are also discussed in Section C.

When considering a budget-support loan, provide their Boards of Directors with convincing evidence, based on a recent IMF assessment, that a country has in place a sound macroeconomic policy framework.

5. All of the MDBs that engage in budget support have a framework for assessing macroeconomic policy and conditions during the approval process for budget support lending which is informed by IMF assessments. The MDBs welcomed the updated IMF guidance on its assessment policy[4] and, if needed, are adapting their internal procedures. For example, the ADB has updated its internal guidelines to reflect the IMF's policy update, including by adding a provision whereby ADB staff should check and confirm with the IMF that the most recent IMF assessment letter or staff reports (if less than 6-months old) is not outdated and can substitute for a new assessment letter, and to add a footnote in loan proposals submitted to the ADB Board indicating that staff had received such a confirmation from the IMF. It should be noted that, in the case of the IDB, the need for an IMF assessment letter is only for budget support to countries under stress, which requires that an IMF-supported program be in place. For its other lending activities, the IDB typically does not require an IMF's assessment letter as it carries out its own independent macroeconomic assessment, in coordination with IMF country teams. Also, under the Bank Policy on Development Policy Financing (OP 8.60), it is the World Bank that decides if the macroeconomic policy framework is appropriate, informed by the assessment by the World Bank macroeconomic team and by the IMF.

Offer emergency financing to help country address macroeconomic vulnerabilities only after having received an assessment by the IMF that an appropriate macroeconomic framework is in place […].

[3] In particular, it should be noted that the IMF-World Bank coordination is guided by the 1989 IMF/WB Concordat, which emphasized that – as a development institution – the World Bank has "…primary responsibility for the composition and appropriateness of development programs, including development priorities", and that "both the World Bank and the International Monetary Fund must be allowed to explore their legitimate concerns with regard to macroeconomic and structural issues and to take them into account in their policy advice and lending operations."

[4] See Section B for more detail.

6. To the extent that such financing is consistent with their development mandates, MDBs offer emergency financing to their borrowers. In some cases, MDB emergency financing instruments are linked with an IMF-supported program.

Encourage countries experiencing BoP crisis to pursue an IMF-supported program […].

7. MDB staffs engaged in country dialogues are familiar with the advantages of pursuing an IMF program and share this view with country authorities.

Structure lending in a manner to provide the borrowing country with appropriate incentives […] that are consistent with IMF conditionality.

8. Each MDB has multi-tranche lending instruments, or can employ a programmatic series of operations, to allow the structuring of policy-based lending to support specific policy reforms to ensure alignment of incentives with the goal of achieving the agreed-upon policy reforms. Some of the MDBs' lending facilities are linked directly to IMF-supported programs. For instance, the IDB's emergency support requires its disbursement to be linked to the completion of a review of an IMF-supported program. Some other lending facilities are implicitly linked to the IMF's assessment of the economy.

Ensure, where appropriate, that the lending underpins a government's commitment to pro-poor social programs and well-targeted social safety nets […].

9. Improving lives and eradicating poverty is at the heart of MDBs' missions. Each MDB promotes inclusive growth as a central component of its strategy and incorporates social safeguards to prevent unanticipated effects of projects on disadvantaged populations. MDBs provide extensive direct support to social programs—according to the specific development challenges of their respective regions—in the areas of health, education, gender, labor markets, and diversity.

Accurately categorize the type of support required […] to appropriately structure the terms of the budget support loans […].

10. Each MDB that provides budget-support lending categorizes its support in line with its policies. This classification is broadly in line with the categories outlined in the Principles (see Annex II). Information on loan structures (e.g., tenor, grace period, conditionality) of MDB instruments are available on their external websites.

B. IMF Tasks

Upon request from an MDB […], provide a clear, frank, and up to date assessment of the country's macroeconomic situation and prospects, and of macroeconomic and related structural policies […].

Maintain open lines of communication and provide the MDBs with updates on the IMF's assessment of macroeconomic conditions and policies […].

11. The IMF updated in January 2018 its guidance on assessment letters and statements, clarifying modalities and circumstances under which the IMF would prepare such assessments. This update reflects up-to-date information and current practices (IMF, 2018). Following the update, the IMF briefed the MDBs on the modalities and asked that a request be sent to the IMF with a lead time of at least 4 weeks ahead of the date on which the MDBs need the assessment letter for their operations, to provide appropriate time for preparation.[5] The request for the assessment letters should be directed to either the IMF's Area Department Director or the Division Chief covering the relevant country. The IMF does not generally publish assessment letters, although it may do so, with the consent of the country authorities and the authoring Area Department (the policies for publication are explained in the guidance).

12. The IMF and the MDBs have strengthened their lines of communication to provide a timely update of its assessment of macroeconomic conditions and policies (see Section C).

C. Joint IMF and MDB Tasks

13. Coordination helps bring out the synergies between the IMF and the MDBs. The MDBs' expertise in structural and sectoral issues complements the IMF's capacity to assess macroeconomic conditions and advise countries on the appropriate actions to restore macroeconomic stability. In IMF-supported program cases, the MDBs' provision of policy-based financing together with their sectoral expertise is key to closing countries' financing gaps and tailoring the program to reduce the country's balance of payments needs. Coordination between the IMF and the MDBs can substantially increase the effectiveness of macroeconomic adjustments.

Ensure close communication between their respective staff teams working on countries experiencing, or likely to experience, macroeconomic vulnerabilities.

14. In their discussion on the implementation of the G20 Principles, IMF and MDB senior staff felt that close communication at the country-team level had been generally effective, especially for the program cases. Subject to the authorities' consent, MDBs join IMF mission teams in some of the program discussions. The operational coordination with the IMF has involved policy meetings and joint work including debt sustainability analyses (DSAs). Vice versa, the IMF teams often seek inputs from MDB experts, ensuring synergies.

15. The MDBs and the IMF have established "first points of contact" on country matters to ensure that potentially complex country cases receive appropriate attention. For the IMF, mission chiefs and resident representatives are the first points of contact. Across MDBs, contact points vary, reflecting differences in their organizational structures. For the IDB, the points of contact

[5] The IMF typically takes the lead on the macroeconomic diagnosis in collaboration with MDBs. Although macroeconomic forecasts might differ, the IMF and MDBs have managed to reconcile their positions, thus reducing the risk of losing traction and credibility that could arise if their views diverge. Experience suggests that early engagement and close collaboration have helped close gaps in views on macroeconomic assessments.

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are country economists or regional economic advisors. The WB's points of contact are country directors and practice managers[6] that should both be consulted for any country or policy matters. With regard to the AfDB, the regional Director General and their deputies are the primary contacts for country dialogue while for the ADB, the resident mission[7] (country director) are the primary contacts. Given staff turnover, the IMF and the MDBs agreed to update the points of contacts once a year. The list of contact also includes a senior staff in the relevant regional or area departments in the case that country issues need to be escalated.

Establish, as appropriate, channels for "upstream" exchanges of views between senior managers […] on possible provision of MDB financial support to countries facing macroeconomic instability […].

16. Upstream exchanges of views between the IMF and the MDB senior staff on key country issues have been formalized. Dialog between senior staffs has been useful to resolve major divergence in the macroeconomic assessment of a country and thus complements coordination at the country-team level. These exchanges typically take place at the sidelines of the IMF-WB Annual and Spring Meetings as well as during MDBs' annual meetings and other international high-level conferences. The IMF and the MDBs agreed to formalize these lines of communication to ensure meetings on an at least annual regular basis.

17. The MDBs and the IMF also agreed to have senior-level meetings on policy issues to complement country coordination. There was a recognition that the current format of the engagement on wider policy issues held on an as-needed basis at the sidelines of the IMF-WB Annual and Spring Meetings is appropriate, and thus, requires no change. Policy issues of mutual interest to be discussed at the meeting will be decided in advance in coordination between the IMF and the MDBs.

18. Between the WB and the IMF, the 1989 Concordat provides an appropriate framework for upstream exchanges of views on country issues. Meetings to discuss strategically important country cases occur twice a year between the WB's Chief Executive Officer (CEO) and the IMF's First Deputy Managing Director (FDMD), ahead of the Spring and Annual Meetings. At the region-level engagement, the IMF's African Department—which has the largest number of countries with an IMF supported program—has informal upstream exchanges with the WB's African Vice President (VP), when warranted. The IMF and WB agreed to formalize regular meetings between the IMF's other Area Departments and WB's corresponding regional VP.

Enhance coordination around provision of technical assistance and capacity building […].

19. Coordination on capacity development has been strengthened. For the IMF's capacity development (CD, consisting of technical assistance and training), country teams now oversee its coordination and, as needed, help liaise with relevant functional departments that provide CD. IMF

[6] Practice managers in the Macroeconomics, Trade and Investment Global Practice.

[7] Or the relevant regional office (regional director) for Pacific developing member countries that do not have a resident mission.

country teams are generally informed of CD activities by the MDBs, including in the context of surveillance. Discussions between institutions showed that there is room for further improving coordination on the topics and the timing of CD missions to avoid overlap and the first points of contact in the IMF are expected to help in this regard.

Conduct a regular evaluation, by the Board of Directors of the institutions, of the implementation of these guidelines.

20. This update note will be shared with the Board of Directors of the respective institutions.

III. CONCLUSION

21. The IMF and the MDBs have taken steps to strengthen coordination, including:

- The MDBs have enhanced their capacity to accompany their borrowers in confronting economic turbulence, and clarifying the role of coordination with the IMF.
- The updated guidance note on IMF's assessment letters and statements clarifies the modalities and circumstances under which the IMF would provide such assessments.
- The MDBs and the IMF have deepened their dialogue at the staff and managerial level.
- The established first points of contact between the MDBs and the IMF will provide for open, candid, and comprehensive lines of communication between country teams, including when there is a need for escalation to senior managers.
- The upstream dialogue between the MDBs and the IMF has been formalized to ensure regular and structured discussions between senior managers at the sidelines of the IMF-WB Annual and Spring Meetings.

References

Group of Twenty, 2017, "The G20 Principles for Effective Coordination between the IMF and MDBs in Case of Countries Requesting Financing while Facing Macroeconomic Vulnerabilities."

International Monetary Fund and Multilateral Development Banks, 2017, "Coordination Between the International Monetary Fund and Multilateral Development Banks on Policy-Based Lending—Current Practices. Report to the G20 International Financial Architecture Working Group."

International Monetary Fund, 2018, "Guidance Note on Letters and Statements Assessing Members' Economic Conditions and Policies."

Annex I. G20 Principles for Effective Coordination between the IMF and MDBs in Case of Countries Requesting Financing while Facing Macroeconomic Vulnerabilities

(March 2017)

The MDBs should:

- Engage in a regular dialogue with the IMF to proactively identify potential opportunities for coordination and to ensure consistent policy signaling.

- When considering a budget-support loan, provide their Boards of Directors with convincing evidence, based on a recent IMF assessment, that a country has in place a sound macroeconomic policy framework.

- Offer emergency financing to help a country address macroeconomic vulnerabilities only after having received an assessment by the IMF that an appropriate macroeconomic framework is in place and appropriate actions are being taken to restore macroeconomic stability or there is a credible commitment to adopting and implementing such policies. This assessment should be provided to MDB Boards of Directors for their consideration and with the view to inform their decision, as a complement to MDB staffs' own assessment.

- Encourage countries experiencing balance of payments crisis to pursue an IMF-supported program (funded or unfunded) in order to establish a credible and consistent policy framework for restoring macroeconomic stability.

- Structure lending in a manner to provide the borrowing country with appropriate incentives to carry through with its program of reform commitments, including, for example, through sequenced disbursements and corresponding conditions that are consistent with IMF conditionality. Substantive prior actions, grounded in areas in which the MDB has appropriate expertise, should be in place before resources are disbursed.

- Ensure, where appropriate, that the lending underpins a government's commitment to pro-poor social programs and well-targeted social safety nets to the extent that the country's macroeconomic adjustment places poor and vulnerable segments of the population at risk.

- Accurately categorize the type of support required (e.g., countercyclical, balance of payment, programmatic) to appropriately structure the terms of the budget support loans (e.g., tenor, grace period, conditionality).

The IMF should:

- Upon request from an MDB that it is considering providing financing to help a country address macroeconomic vulnerabilities, provide a clear, frank, and up to date assessment of the country's macroeconomic situation and prospects, and of macroeconomic and related structural policies. Such an assessment could be provided through i) an IMF Executive Board assessment in a recent Article IV consultation or program review, or ii) when conditions have changed or the most recent assessment is more than six months old, an assessment letter that contains a clear and candid assessment of a) the member's macroeconomic conditions and prospects and b) current macroeconomic and related structural policies.

- Maintain open lines of communication and provide the MDBs with updates on the IMF's assessment of macroeconomic conditions and policies ahead of any additional MDB Board decisions on provision of financial support or subsequent loan tranches, and engage in a constant dialogue and exchange with the MDBs on the subject.

The IMF and the MDBs should:

- Ensure close communication between their respective staff teams working on countries experiencing, or likely to experience, macroeconomic vulnerabilities.

- Establish, as appropriate, channels for "upstream" exchanges of views between senior managers of the respective institutions on possible provision of MDB financial support to countries facing macroeconomic instability (for instance, development of lines of inter-agency communication at an appropriately senior level regarding macroeconomic assessments; establishment of structured exchanges of views on country cases during the Spring and Annual Meetings of the IMF-WB; etc.).

- Enhance coordination around provision of technical assistance and capacity building, especially for low-income countries, in order to reinforce their capacity to anticipate, analyze and respond to a crisis.

- Conduct a regular evaluation, by the Board of Directors of the institutions, of the implementation of these guidelines.

Annex II. Implementation of the G20 Principles for Individual MDBs

AfDB Implementation of the Principles

The AfDB-IMF collaboration takes place in the following areas:

- Request for, and use of, IMF Assessment Letters during the process of preparing budget support operations, in particular, for African Development Fund recipient countries.
- Participation in IMF Article IV Consultations Missions and IMF Staff Visits to regional member countries (RMCs). AfDB staff have regularly requested, and the country authorities and the IMF agreed, for staff to participate in IMF missions to RMCs. The collaboration in this area has been very useful for preparing our budget support operations.
- Use of IMF analytical work and country briefings, to inform the design/preparation of budget support operations.
- Regular visits/consultations, during AfDB missions, with IMF offices in RMCs, to (i) share information and (ii) discuss policy issues as well as a country's overall reform program and progress in its implementation.
- Events during the IMF-WB Annual and Spring Meetings, which provide another opportunity for AfDB staff, particularly senior management staff, to engage in discussions with both the IMF and the WB on issues relating to envisaged or ongoing budget support operations in RMCs.

The Bank Group Policy on Program-Based Operations (PBOs), dated February 2012, requires a country to have a stable macroeconomic position as one of the eligibility criteria for AfDB provision of budget support. The Policy states that "*Macroeconomic stability will be assessed on the basis of the Bank Group's analysis and the IMF's assessment. The presence of an on-track IMF program will be an important determination of the macro-economic policy framework. Where there is no Fund program, at the early stage of PBO preparation, the Bank will ascertain, before making its own assessment, whether the IMF has any major concerns about the adequacy of the country's macroeconomic policies. Any outstanding concerns on the macroeconomic policy framework will be communicated to the Board.*" AfDB's budget support loans are named Program-Based Operations, and by definition are always supporting a program and are structured as such.

All PBOs approved by the Board are planned and executed in alignment with IMF country assessments. This includes through using IMF Article IV assessment and other country assessments in ascertaining the fulfillment of specific PBO eligibility criteria, as well as aligning policy actions with IMF-supported programs.

The AfDB conducts an ongoing dialogue with its borrowing member countries in which it seeks to support their national development goals with sound macroeconomic policy advice.

The staff involved in this dialogue are familiar with the potential advantages of pursuing an IMF program and share this information in the course of the dialogue. The AfDB provides budget support loans to support specific public-sector reform initiatives through its PBOs. In 2017, the AfDB approved US$1.9 billion in PBOs to 17 operations.

A number of AfDB's PBOs include policy actions aimed at improving social protection programs or are complementary to investment programs supporting social sectors. The AfDB also analyzes the potential social impact of its PBOs to ensure that they do not adversely impact vulnerable populations or to ensure adequate mitigation measures are supported, for example, ensuring better targeting of subsidy programs to the needs of the most vulnerable.

The economic transformation of the African continent is the cornerstone of the AfDB Group's Ten-Year Strategy (TYS), covering 2013-2022. The overarching twin objectives of the TYS are the achievement of inclusive growth and the transition to green growth. It charts the way toward inclusive growth that spans age, gender and geography, and takes special account of Africa's fragile states which are home to 200 million people, as well as building climate resilience and the sustainable management of natural resources. The AfDB is responding to the challenge of supporting inclusive growth and the transition to green growth by scaling up investment and implementation of the TYS by focusing on five priority areas, referred to as the High 5s.

ADB Implementation of Principles

The ADB has four policy-based lending (PBL) products for its developing member countries (DMCs): (i) stand-alone PBL provides budget support and is packaged either as a multi-tranche or single tranche loan to support structural reforms over a short- to medium-term period; (ii) a programmatic approach that comprises a series of single-tranche loans (sub-programs) to support structural reforms over a medium-term time frame; (iii) a special PBL (SPBL) provides emergency BoP support to a DMC in times of crisis; and (iv) a countercyclical support facility (CSF) provides budget support during an economic crisis, in conjunction with a DMC's fiscal stimulus package to restore growth. Stand-alone PBL and programmatic approach are referred to as conventional PBLs while SPBL and CSF are regarded as crisis response instruments.

In 2017, the ADB approved US$3.35 billion in PBLs, representing 18.3 percent of the total lending portfolio. PBL operations support the fulfillment of ADB's mission to help DMCs reduce poverty and improve quality of life. ADB's PBL supports policy reforms that improve growth prospects and promote inclusiveness to ensure that economic gains are widely shared, particularly among poor, disadvantaged, and vulnerable populations. It supports sectoral and intersectoral development programs that may involve adjustments to policies and investment plans, and capacity building of institutions. It addresses binding constraints that are sector-wide or intersectoral or have a bearing on the links between sectors and the macroeconomy. It supports intensified efforts on human capital development, social inclusion, social protection, and job creation. Technical assistance may be attached to a PBL to meet capacity building needs and/or address policy issues that may have a bearing on future strategic decisions.

ADB's PBL policy requires close coordination with the IMF. An assessment letter from the IMF is required for all PBL operations. The IMF assessment letter is requested by the ADB regional department concerned and presented to the Board as a linked document to the Report and Recommendations of the President.

Higher degree of collaboration with the IMF is required when mobilizing crisis response instruments. The use of SPBL presumes ADB's participation in an IMF-supported program for a DMC facing a BoP crisis. While CSF lending may be provided in the absence of an IMF-supported program, ADB's refined CSF policy approved in 2016 requires (especially in the absence of an IMF-supported program) recent completion of an Article IV consultation and other forms of policy dialogue with the IMF; ADB's staff routine participation in Article IV consultation and other IMF missions; and/or IMF's staff involvement in policy dialogue in the course of preparing a new CSF loan proposal.

The ADB-IMF collaboration is functioning well. The ADB regularly communicates and closely coordinates with the IMF at all levels and in different settings to ensure coherence and complementarity of policies, strategies, and programs. The ADB and the IMF participate in the annual Multilateral Financial Technical Meeting on Debt Issues, which is a useful venue for coordinating at the working level on a wide range of topics, including policy and country specific issues. The ADB, through its Economic Research and Regional Cooperation Department, holds a joint seminar with the IMF. An ADB-IMF retreat was held in January 2016, which discussed region-wide and country-specific coordination and potential areas for further collaboration. Coordination and consultation meetings between the IMF and the ADB are held during (i) the ADB Annual Meetings, (ii) meetings of the Heads of MDBs and the IMF during the IMF-WB Annual and Spring Meetings, and (iii) various technical working groups involving MDBs and the IMF.

Since the establishment of the G20 Principles, the IMF and the ADB have agreed to further enhance coordination between them, including by (i) identifying first points of contact in communicating with each other at the country level, and (ii) strengthening upstream exchange involving their senior managers in their respective Strategy, Policy, and Review Departments.

IDB Implementation of Principles

IDB staff engage in formal and informal dialogue with the IMF in a wide variety of settings. In addition to strategic coordination through the MDB Heads channel, representatives of the IMF are typically present at the IDB Chief Economist's meeting. The Vice Presidency for Countries, which houses IDB's regional economic advisors and country economists, also invites IMF staff to *ad hoc* meetings to address specific sub-regional issues. In addition to these formal invitations, IDB economists communicate with their counterparts in the IMF's Western Hemisphere Department on an ongoing basis though research seminars and other informal channels. The IMF also consults with IDB's country offices as part of their macro-framework process to verify IDB's disbursement schedule. IMF Article IV missions also meet with IDB country economists as part of their consultations.

One of the mandates accompanying IDB's 9th General Capital Increase (IDB-9) was the enhancement of IDB's macroeconomic analysis and the development of a policy linking that analysis to country programming to avoid ongoing lending to countries with unsustainable debt. Pursuant to that mandate, the IDB developed a policy for the preparation of Independent Assessment of Macroeconomic Conditions (IAMC) jointly by country and regional economists in the Vice Presidency for Countries and approved by the Chief Economist. The IAMC draws upon reports and information from country authorities and other international financial institutions including the IMF. The policy specifically notes that the "presence of a current program with the IMF and the availability of an Article IV Consultations report or a comfort letter" may be inputs for the preparation of the IAMC but does not require that information or explicitly link the conclusions of the IAMC to those of the IMF.

IDB instruments for budget support, including Policy Based Loans, Policy Based Guarantees, and Policy Based Grants, require a valid IAMC be distributed to the Board at the time of approval and that a valid IAMC continue to be in place throughout the disbursement process. The IDB places certain restrictions on the acceleration of disbursement schedules for Investment Loans when there is not a valid IAMC in place.

In 2017, the IDB Board approved a new lending category, Special Development Lending (SDL), aimed at mitigating the effects of a macroeconomic crisis on a country's socioeconomic progress. The IDB policy makes eligibility to borrow under the SDL program conditional on having an IMF-supported program arrangement in place.

The IDB conducts an ongoing dialogue with its borrowing member countries in which it seeks to support their development goals with sound macroeconomic policy advice. The staff involved in this dialogue are familiar with the potential advantages of pursuing an IMF program and share this view in the course of conducting the dialogue. The IDB provides budget support loans to support specific public-sector reform initiatives through its Policy Based Lending (PBL) instruments. In 2017, the IDB approved US$3.2 billion in PBLs to 17 operations that provided budgetary support. All presently available IDB lending instruments for budget support lending qualify as programmatic and are structured as such.

Pro-poor social programs and well-targeted social safety nets are at the core of IDB's mission to contribute to the acceleration of the process of economic and social development of the regional developing member countries. IDB's 2016-2019 *Update to the Institutional Strategy* identifies social exclusion and inequality as one of the three development challenges for Latin America and the Caribbean and acknowledges the importance of IDB's role in maintaining support for programs to address this challenge in periods of macroeconomic turbulence. In addition to IDB's extensive ongoing support to social programs, the SDL is available to ensure the continuity of social programs during periods of macroeconomic distress.

WB Implementation of Principles

The 1989 Concordat between the IMF and World Bank provided a framework for ensuring close coordination and collaboration between the institutions. The objective of the Concordat was "to serve member governments with maximum effectiveness in meeting their development needs and in providing support for macroeconomic and structural change." The Concordat recognized that despite the unique mandates of each institution, "there is a broad range of matters which are of interest to both institutions." The guidelines provided in the Concordat continue to be followed to ensure close collaboration on this broad range of issues. The Concordat was also clear that both the World Bank and the IMF must be allowed to explore their legitimate concerns with regard to macroeconomic and structural issues and to take them into account in their policy advice and lending operations.

More specifically, the World Bank coordinates with the IMF in cases of countries requesting financing while facing macroeconomic vulnerabilities, and therefore responds to the principles, in several ways.

Dialogue

Both institutions concurred that exchange of information has been working well, but could be strengthened by an agreed framework to provide guidance—without excessive structure or prescription. For program countries, the exchange of information is typically more systematic than for surveillance countries.

There are now regular discussions on sensitive country cases at the Senior Management level. Meetings to discuss difficult/strategically important country cases occur at least twice a year, or as needed, between the WB's Chief Executive Officer and the IMF's First Deputy Managing Director—with meetings ahead of the Spring and Annual Meetings proving to be of particular benefit. The listing of countries to be discussed at these meetings have been prepared by the staffs of the two institutions, with country briefings provided by area departments/regional vice-presidencies. Information exchange between staffs ahead of the meeting have been organized by SPR (IMF) and the EFI VP (WB). These exchanges may also identify emerging systemic issues, beyond specific country cases, that warrant discussion at the Senior Management level.

Development Policy Financing (DPF)

The World Bank provides a DPF for a Member Country or its Political Subdivision only when it has determined that the Member Country's macroeconomic policy framework is adequate. If the DPF is made as a Bank Guarantee of debt of an IDA Member Country or its Political Subdivision, the Member Country must also have low or moderate risk of debt distress and comply with applicable Bank policies relating to non-concessional borrowing.

In preparing DPF operations, the Bank collaborates with the IMF and other international financing institutions and donors, as appropriate, while retaining responsibility for its financing decisions. In addition, the World Bank policy guiding DPF notes that: "The presence of an IMF program is usually an important input in this determination of the adequacy of the macroeconomic policy framework. If there is no IMF arrangement, Bank staff ascertain, before making their own assessment, whether the IMF has any major outstanding concerns about the adequacy of the country's macroeconomic policies. Issues relevant to the adequacy of the macroeconomic policy framework raised by the IMF are communicated to Executive Directors through the IMF's "Fund Relations Note" attached as an annex in the Bank's Program Document."

All World Bank operations, including Development Policy Financing (DPF), are aimed at achieving its twin goals of ending extreme poverty and boosting shared prosperity. Poverty and Social Impact Analyses (PSIAs) inform the design of policy reforms supported by DPFs. PSIAs provide evidence on the poverty, social, and distributional effects of reforms; identify measures to mitigate any adverse impacts; and identify alternative options to enhance poverty reduction and positive outcomes

Capacity Building and Technical Assistance

The World Bank provides capacity building and technical assistance to member countries facing macroeconomic vulnerabilities through a broad range of instruments, including through Investment Policy Financing, Program for Results, and Advisory Services. These instruments not only support DPF operations, but also often support the structural benchmarks in IMF programs. Increasingly, World Bank technical assistance draws on private sector expertise from across the Bank Group, including from the IFC and MIGA, with operations designed to maximize the financing for development—with DPF often playing a catalytic role to de-risk and leverage resources. This can strengthen the scope of the inputs and support from Bank programs to IMF programs and surveillance.