

Developmental effectiveness can also be improved through efforts to strengthen policy coordination. While the traditional division of labour between the IMF and the World Bank makes good sense, operations would be improved if joint missions and program preparation were the norm both in areas of shared responsibility, such as financial sector reform and budget exercises, and where macroeconomic and structural issues interact.

- **For countries which are drawing on the resources of the Fund, efforts should be made to operationalize a more integrated approach. Where appropriate, the use of common policy framework papers should be encouraged.**
- **Scope may also exist to improve coordination between the World Bank and the RDBs, with each focusing on their core missions and through stronger cooperation where these intersect. The Development Committee Task Force might explore the scope for improved consultation on respective country programs with a view to a clearer division of the sectoral responsibilities of these institutions in individual member countries.**
- **The World Bank and the regional development banks should be encouraged to decentralize their operations wherever possible.**
- **The activities of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) must be more strongly integrated into the World Bank Group.**

Looking ahead, the MDBs will need to do more to better customize their services to meet the changing needs of many of their borrowing members. A key challenge will be to continue to increase the capacity of the private sector to provide services which, in most countries, have previously been provided by governments.

- **To catalyse greater private sector participation, the World Bank has introduced a new guarantee program which is aimed, in particular, at leveraging additional private flows for infrastructure investment. In the same vein, the World Bank and RDBs should work actively to expand their cofinancing arrangements with private and public financial institutions.**
- **To catalyse greater private sector flows, while assuring adequate risk sharing among public and private lenders, the World Bank Group should be encouraged to examine new public-private institutional arrangements which might better support the organization of private-led financial packages.**

Turning to debt, considerable progress has been made on the international debt strategy at recent Summits. Nevertheless, significant debt overhang problems clearly