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# Defending Supremacy: How the IMF and the World Bank Navigate the Challenge of Rising Powers*

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It is widely acknowledged today that the rise of new powers in the global economy has failed to produce commensurate adjustments in the architecture of global economic governance. How, then, do established multilaterals navigate the challenges arising from growing multipolarity? The article tackles this question by examining recent IMF and World Bank practice. It argues that, resistant though the Bretton Woods twins are to comprehensive reform, they nonetheless employ mechanisms to cope with the new realities on the ground. However, this adaptation lacks a cohesive strategy, and on balance remains insufficient. The analysis launches from a discussion of the normative, operational and competitive challenges the organizations face. It then discusses three coping mechanisms the Fund and Bank have employed over the past decade: (1) bolstering operations in low-income countries (LICs) and small middle-income countries (MICs); (2) adopting a flexible approach towards large MICs to retain them in the organizations' client portfolio; and (3) reinforcing and refining non-lending activity to preserve normative authority. The effectiveness of these adaptive efforts in addressing the challenges of multipolarity is variable, comprising a mix of modest gain, abject failure, and untested promise. Implications for the organizations' efficacy also remain uncertain. Even then, these initiatives highlight the twins' willingness to defend their institutional supremacy in a fast-changing global system. Crucially, they also harbour important signs of change in how 'development' is perceived and practised in the strongholds of Western multilateralism.

**Keywords:** IMF; international development; multilateralism; multipolarity; rising powers; World Bank

It is widely acknowledged today that the rise of new powers in the global economy has failed to produce commensurate adjustments in the architecture of global economic governance. With operational objectives that typically reflect policy norms originating in the Anglo-American core, and decision–making structures that remain favourable to Northern shareholders despite recent quota changes,[1] the IMF and the World Bank represent a crucial dimension of the problem. Yet scholars are divided in their prognoses of what awaits the Bretton Woods twins in an increasingly multipolar world. Some have suggested that, given the slow pace and limited scope of the adjustments to their practice and governance, these major international financial institutions (IFIs) may struggle to preserve their financial and normative relevance.[2] Others contend that structural dependencies on the part of emerging economies and the lack of effective alternatives to the existing architecture will shield core organizations of Western multilateralism such as the Fund and Bank from obsolescence.[3]

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[1] Jakob Vestergaard and Robert H. Wade, 'Still in the woods? Gridlock in the IMF and the World Bank puts multilateralism at risk', *Global Policy* 6:1, 2015, 1–12.

[2] Ngaire Woods, 'Global governance after the financial crisis: a new multilateralism or the last gasp of great powers?', *Global Policy* 1: 1, 2010, pp. 51–63; Robert H. Wade, 'Emerging world order? From multipolarity to multilateralism in the G20, the World Bank, and the IMF', *Politics and Society* 39: 3, 2011, pp. 347–78.

[3] G. John Ikenberry, 'The future of multilateralism: governing the world in a post-hegemonic era', *Japanese*

Building on an analysis of recent Fund and Bank practice, this article paints an alternative picture that contributes to both sides of the debate. On the one hand, it finds that, resistant though the twins are to comprehensive reform, they nonetheless employ mechanisms to navigate the new realities on the ground. Some of these mechanisms are purposely designed to counter fresh challenges in a fast-changing international landscape; they involve varying degrees of innovation. Others reflect continuation or mere extension of existing practice, and operate in the background to reinforce the organizations' prominence in the global political economy. As such, the Fund and Bank have greater adaptive potential in the face of growing multipolarity than their critics often suggest. On the other hand, the findings warn against over-optimism about the twins' adaptive efficiency. While some coping mechanisms yield results, the viability of others is uncertain, and there are instances of abject failure as well. More crucially, most new measures are neither bold enough given the magnitude of the tectonic shifts in the world economy, nor do they seem to unambiguously enhance organizational efficacy. The verdict, in brief, is that an ad hoc adaptation is taking place, but in the absence of a cohesive strategy it remains unfocused and insufficient.

The challenge of emerging powers for the Bretton Woods twins is profound, as explored in the next section. The rise of Brazil, China, India and others questions the *normative* authority of these Washington-based institutions, defying development visions rooted in policy orthodoxy and illustrating the viability of multiple paths to growth. This normative challenge is compounded by an *operational* one, as emerging economies typically evade conditionality-based IMF loans while tapping World Bank resources selectively. Finally, rising powers exert direct *competitive* pressures upon North-led IFIs via intensified South-South cooperation and, more recently, by spearheading rival institutions such as the New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB).

The coping mechanisms identified here do not tightly overlap with these challenges—which in part accounts for their limited effectiveness. They also occupy a wide spectrum, from careful adjustment at one end to reliance on existing practice at the other. Classified according to their broad aims, they fall under three categories: (1) preservation and, where possible, expansion of operations in low-income countries (LICs) and smaller middle-income countries (MICs); (2) a flexible approach towards large MICs to retain them in the organizations' client portfolio; and (3) reinforcement and refinement of existing non-lending activities to preserve normative authority, bilaterally as well as globally (mainly research, inter-organizational coordination, and provision of expertise). The initiatives discussed under these categories are too varied for a mono-causal explanation. For most changes in lending framework and patterns, however, pragmatic, internally-driven responses to novel dynamics in the twins' operational environment offer good explanatory promise. Theoretically, therefore, the analysis highlights the potential of combining constructivist insights with recent emphases on structural environmental factors shaping IFI practice. By comparison, preferences of Northern shareholders and normative proclivities of staff, while deservedly given ample consideration in IFI scholarship, prove only occasionally relevant.

The literature on rising powers has so far focused chiefly on country strategies,[4] with scant attention placed on how established multilaterals respond to contemporary power shifts.[5] In engaging this underexplored theme, the paper makes two contributions. The first is

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*Journal of Political Science* 16: 3, 2015, pp. 399–413; Matthew D. Stephen, 'Rising powers, global capitalism and liberal global governance: a historical materialist account of the BRICS challenge', *European Journal of International Relations* 20: 4, 2014, pp. 912–38.

[4] See, for example, the May 2013 special issue of *International Affairs* on rising power negotiating strategies.

[5] Scholarship on how Northern multilaterals respond to growing multipolarity remains thin. See Bernhard Zangl, Frederick Heußner, Andreas Kruck and Xenia Lanzendörfer, 'Imperfect adaptation: how the WTO and the IMF adjust to shifting power distributions among their members', *Review of International Organizations* 11: 2, 2016,

the core analytical finding that, despite their resistance to major reform, the Fund and Bank strive to defend their institutionalized supremacy in a dynamic international system through continuous internal adaptation. On balance, however, this adaptation remains partial and insufficient. Second, these adaptive efforts also harbour signs of change in how *development* is perceived and practised in the strongholds of Western multilateralism. New measures are variegated in design, but they invariably involve a shift away from the twins' conventional prescriptive eagerness and normative certitude, and towards operational pragmatism sensitive to diverse borrower preferences. These points are elaborated in the concluding section. But let us first examine the challenges the IFIs face in an increasingly multipolar world economy.

## Normative, Operational, Competitive Challenges

The IMF and the World Bank are products of a previous era of shift in the global power balance; they embodied the postwar strategic preference of the US for formal platforms of international economic coordination. Yet in their early decades neither organization enjoyed a favourable context to flourish. American economic supremacy was too hands-on (the Marshall Plan, the dollar–gold standard) and the few emergencies that erupted were not sufficiently systemic to warrant a central role for the organizations. Thus followed the striking irony in their history: underlying the dramatic increase in the visibility of the Bretton Woods twins was none other than the disintegration of the Bretton Woods order of fixed exchange rates and financial controls in the 1970s, ushering in a more complex, perilous world economy in which multilateral coordination increasingly mattered.

The twins' expanded role rested on a radical change in clientele. Despite significant differences between the two organizations in mandate, size and bureaucratic culture, for both the target of coordination distinctly shifted towards policy and institutions in the Third World. Having already established a foothold in several large developing nations, the Bank from the 1960s on expanded its operations to newly decolonised regions, and by the 1970s its focus went beyond infrastructure projects to encompass a broad agenda, including public sector reforms and human development. As the turbulent 1970s gave way to debt crises, the Fund also began extending loans with structural conditions. How IFI programmes in the 1980s and 1990s advocated interlinked neoliberal–globalist reform agendas with problematic consequences has been analysed extensively.[6] Yet despite intense criticism, by the turn of the century the two multilaterals came to represent the hallmark of Western efforts to foster 'development.' Not only were they the leading source of official financing in the South, but their expansive operations and overgrown research departments accorded them unparalleled normative authority and epistemic influence over the goals and instruments of development.[7]

Against this background, emerging countries challenge the Fund and Bank at three potentially interacting levels: *normative*, *operational*, and *competitive*. One danger is the

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pp. 171–96; Miles Kahler, 'The global economic multilaterals: will eighty years be enough?', *Global Governance* 22: 1, 2016, pp. 1–9; Ali Burak Güven, 'The World Bank and emerging powers: beyond the multipolarity-multilateralism conundrum', *New Political Economy* (forthcoming).

[6] Ngaire Woods, *The globalizers: the IMF, the World Bank, and their borrowers* (Ithaca, NY: Cornell University Press, 2006); Richard Peet, *Unholy trinity: the IMF, the World Bank, and the WTO, second edition* (London: Zed, 2009). Despite their common origin and analogous governance structures, the two organizations display marked differences and compete for resources, and even portrayed as 'rival siblings'; Bessma Momani and Mark Hibben, 'Cooperation or clashes on 19th Street? Theorizing and assessing IMF and World Bank collaboration', *Journal of International Organization Studies* 6: 2, 2015, pp. 27–43.

[7] Susan Park and Antje Vetterlein, eds, *Owning development: creating policy norms in the IMF and the World Bank* (Cambridge: CUP, 2010). See also Michael Zürn, Michael Bender and Matthias Ecker-Ehrhardt, 'International authority and its politicization', *International Theory* 4: 1, 2012, pp. 69–106, on how the authority of international institutions correlates with increased politicization—a point of significant relevance for the IFIs.

*negation of the normative leadership* of the IFIs. The issue is not a categorical rejection of mainstream development policy, but the increasingly obvious futility of quests for best practice. Asian high performers, from Japan and South Korea to China, have typically ascribed the state a more central role in economic policy than often considered appropriate by the IFIs.[8] Brazil's now increasingly questioned neo–developmentalist path similarly diverged from the neoliberal orthodoxy.[9] Yet others, such as India, adopted a market–liberal stance, with mixed results. Development strategies across a wide spectrum have managed to strike an acceptable balance between political and economic feasibility.

Emerging countries have also been reluctant to adopt the official upgrade of orthodox IFI prescriptions. From the 1990s onwards, the IFIs have advocated a social and regulatory neoliberalism, with a focus on good governance and social inclusion—a paradigm broadening known as the post-Washington Consensus (PWC).[10] Yet the uptake of this agenda has been uneven. Social programmes proved popular in some regions (Latin America), and some large MICs such as Indonesia and Turkey implemented comprehensive reforms.[11] However, the persistent prevalence of graft and deficiencies of democratic accountability indicate that in many countries the PWC emphasis on good governance and institutions is hardly a priority.

In fact, recent economic fortunes of many rising powers appear to have been shaped as much by a confluence of external circumstances as domestic forces. The half-decade before the 2008–09 crisis represented the most development–friendly juncture in the world economy since the 1960s. High commodity prices and record increases in trade and financial flows pushed growth rates across the South above an annual average of 7 percent in 2001–07. After the crisis, loose monetary policy in the US and EU led to a rush of funds to Southern markets, often masking severe domestic imbalances. Likewise, many countries suffered sharp slowdowns in 2013–16 due in part to expectations of monetary tightening in the North and Chinese efforts at rebalancing, with commodity exporters hit particularly hard.[12] The point is that it is increasingly difficult to identify a rigid correlation between domestic policy sets and economic performance in large MICs. This is not to say domestic policies or institutions do not matter but, from the short-term perspective of a typical electoral cycle, it weakens the political appeal of following the conservative, self-serving advice of Northern multilaterals that insist on universalizing prescriptive visions often insensitive to nondomestic variables.

Second, on the *operational* front, the challenge is potential *evasion of Fund-Bank lending*. Today's rising economies have conventionally been the largest clients of the IFIs. Shifts in their borrowing patterns affect the twins' bottom line profoundly, in particular given MIC loans are extended at near–market rates. The Bank's all-time top borrowers include India, Brazil, China, Indonesia, Mexico, Turkey and Argentina, all clients of the International Bank for Reconstruction and Development (IBRD), the organizations' nonconcessional arm. Until recently a likewise small group of MICs accounted for most of the Fund's portfolio.

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[8] Meredith Woo-Cumings, ed., *The developmental state* (Ithaca, NY: Cornell University Press, 1999); Christopher A. McNally, 'Sino-capitalism: China's reemergence and the international political economy', *World Politics* 64: 4, 2012, pp. 741–76.

[9] Cornel Ban, 'Brazil's liberal neo-developmentalism: new paradigm or edited orthodoxy?', *Review of International Political Economy* 20: 2, 2013, pp. 298–331.

[10] Ziya Öniş and Fikret Şenses, 'Re-thinking the emerging post-Washington consensus', *Development and Change* 36: 2, 2005, pp. 263–90; Dani Rodrik, 'Goodbye Washington consensus, hello Washington confusion? A review of the World Bank's *Economic Growth in the 1990s: Learning from a Decade of Reform*', *Journal of Economic Literature* 44: 4, 2006, pp. 973–87.

[11] Toby Carroll, *Delusions of development: The World Bank and the post-Washington consensus in Southeast Asia* (New York: Palgrave, 2010); Ali Burak Güven, 'The feasibility of IFI-led institutional reform: four Turkish experiments compared', *Development Policy Review* 30: 4, 2012, pp. 425–49.

[12] Recent reports are more upbeat; see 'Are emerging markets entering a new virtuous cycle?', *Financial Times*, 28 Feb 2017.

Maintaining an active lender-borrower relationship with systemically important economies also reinforce the IFIs' relevancy in the global economy. Weakening of this operational relationship would undermine both the financial and the policy viability of the twins.

There are good reasons for countries to resist IFI loans. The literature is replete with critical findings, from how lending decisions and conditionality reflect preferences of the organizations' Northern membership[13] to the often adverse macroeconomic outcomes of IFI programmes.[14] Still, loans to emerging economies represent an area in which the experiences of the twins have diverged considerably. For the Fund, the sharp drop in demand for loans from 2003 onwards caused an existential threat, triggering a staff layoff in 2007. And while large programmes in the eurozone (Greece, Ireland, Portugal), the wider European area (Ukraine) and a few developing members (Pakistan, Iraq) led to a remarkable increase in its portfolio after the crisis, most emerging economies have explicitly avoided Fund lending.[15]

The crisis proved to be a blessing for the Bank as well. However, unlike the Fund, emerging countries continued to borrow heavily from the Bank, with India and Brazil remaining the biggest clients, and several MICs maintaining massive portfolios. Even then, the composition of Bank loans to large MICs has shifted in recent years, and there are signs of a decline in the volume of large MIC lending. Thus, while the Bank's prospects in emerging countries are nowhere as bleak as the Fund's, here too are tensions building.

Third, in terms of *competitive pressures*, the danger is *substitution*. Intensified South-South cooperation over the past two decades is one crucial dynamic. Southern donors such as China and Brazil transform the landscape of development assistance by emphasizing horizontal relationships and avoiding intrusive conditions.[16] They thus expand possibilities for development finance, ushering in an 'age of choice'[17] for LICs and smaller MICs and putting pressure upon conventional lenders such as the Bank.[18] The normative and operational impact of this dynamic on the international development regime is significant.[19]

A more direct challenge is the creation of alternative organizations and mechanisms to substitute current functions of Western multilaterals. Early work argued that rising countries were unlikely to openly contest existing multilateral bodies; instead they would subscribe to a 'game of institutionalised hierarchy.'[20] Subsequent research also suggested that countries'

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[13] Mark Copelovitch, 'Master or servant? Common agency and the political economy of IMF lending', *International Studies Quarterly* 54, 2010, pp. 49–77; Christopher Kilby, 'The political economy of conditionality: an empirical analysis of World Bank loan disbursements', *Journal of Development Economics* 89, 2009, pp. 51–61; Randall Stone, 'The scope of IMF conditionality', *International Organization* 62, 2008, pp. 589–620.

[14] William Easterly, 'What did structural adjustment adjust? The association of policies and growth with repeated IMF and World Bank adjustment loans', *Journal of Development Economics* 76:1, 2005, 1–22; James Vreeland, *The IMF and economic development* (Cambridge: CUP, 2003). Recent research is more nuanced; see Michael Binder and Marcel Bluhm, 'On the conditional effects of IMF program participation on output growth', *Journal of Macroeconomics* 51, 2017, pp. 192–214, and Lodewijk Smets and Stephen Knack, 'World Bank lending and the quality of economic policy', *Journal of Development Studies* 52: 1, 2016, pp. 72–91.

[15] The minor exception is the new Flexible Credit Line (FCL), as discussed in the next section.

[16] Emma Mawdsley, *From recipients to donors: the emerging powers and the changing development landscape* (London: Zed, 2012); Fahim Quadir, 'Rising donors and the new narrative of "South-South" cooperation: what prospects for changing the landscape of development assistance programmes?' *Third World Quarterly* 34: 2, 2013, pp. 321–38.

[17] Annalisa Prizzon, Romilly Greenhill, and Shakira Mustapha, *An age of choice for development finance: evidence from country case studies* (London: Overseas Development Institute, 2016).

[18] Dominik Kopiński and Qian Sun, 'New friends, old friends? The World Bank and Africa when the Chinese are coming', *Global Governance* 20: 4, 2014, pp. 601–23.

[19] Emma Mawdsley, 'Development geography 1: cooperation, competition, and convergence between "North" and "South"', *Progress in Human Geography* 41: 1, 2017, pp. 108–17.

[20] Andrew Hurrell, 'Hegemony, liberalism and global order: what space for would-be great powers?', *International Affairs* 82: 1, 2006, pp. 1–19.

structural dependence on the existing architecture[21] along with opportunities for contestation from within[22] would discourage forging rival agencies and devising alternative practices.

Yet emerging countries are lately moving in this exact direction. One example is the prevalence of reserve accumulation as insurance, which proved instrumental in avoiding IMF loans during the crisis.[23] A more crucial case includes the founding of new lenders such as the AIIB, with China in the driver's seat, and the NDB, spearheaded by BRICS. Officially, the AIIB and NDB are responses to unmet infrastructure financing needs in the South. They are designed to complement, not supplant, existing lenders, with a side function of serving as 'outside options' to augment the bargaining power of rising economies in established multilaterals.[24] Yet as large lenders they pose a distinct threat to the World Bank, which only recently updated its infrastructure strategy.[25] The rapid development especially of the AIIB suggests that, given time and Chinese willingness, these constructs might evolve into feasible substitutes,[26] incentivizing avoidance of loans in an instance of possible mutual reinforcement of the challenges discussed.

These challenges (*normative negation*, *operational evasion*, and *competitive substitution*) should not be construed as systematized, coordinated efforts to undermine the IMF and the World Bank. Collectively, though, they capture the scale and the complexity of the problems the organizations face as a result of the ongoing global power shifts.

## Coping mechanisms

How can the IMF and the World Bank address these challenges? The answer would vary according to the goal of adaptation, especially considering that in neither organization's history did international prominence ensure effective fulfilment of mandate. Yet assuming that there is, however tenuous, a correlation between salience and effectiveness, the following would constitute potentially meaningful avenues of action for the IFIs today: Addressing normative challenges would require greater attention to the diversity of developmental pathways and closer alignment of expertise with demand from member states. The alleviation of operational challenges would entail restructuring lending practice to give more voice to borrowers and reduce the conventional emphasis on conditionality. Competitive challenges are perhaps most difficult to directly meet as they are yet unfolding, but here too adjusting organizational practice to evolving member needs and demand should receive priority, with an additional view to leading initiatives for inter-organizational cooperation and coordination.

Evaluated against the above, the twins' adaptive efforts are wide-ranging, yet far from sufficient. Just as the challenges to the Fund and Bank from rising countries are systemic but not systematized, so too are the way the organizations meet these challenges often spontaneous and intertwined with other initiatives rather than purposeful and strategic. Consequently the challenges and the coping mechanisms only partially overlap. To date the main course of action has been to accommodate the perceived shifts in the preferences of

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[21] Stephen, 'Rising powers, global capitalism and liberal global governance'.

[22] Julia C. Morse and Robert O. Keohane, 'Contested multilateralism', *Review of International Organizations* 9: 4, 2014, 385–412.

[23] Graham Bird and Alex Mandilaras, 'Once bitten: the effect of IMF programmes on subsequent reserve behaviour', *Review of Development Economics* 15: 2, 2011, pp. 264–278.

[24] Kahler, 'The global economic multilaterals', pp 5–6. See also Jiajin Xu, *Beyond US hegemony in international development: the contest for influence at the World Bank* (Cambridge: CUP, 2016), which traces the origins of the AIIB and NDB to Chinese frustrations about US' disproportionate influence at the Bank.

[25] World Bank, *Transformation through infrastructure: World Bank Group infrastructure strategy update FY2012–2015* (Washington, DC: World Bank, 2012).

[26] As of July 2017, most AIIB projects are co-financed with the Asian Development Bank (ADB) or the World Bank. Yet there are several AIIB–only projects in the pipeline, indicating potential for an independent role.

borrowers via continuous modifications to lending framework and by adopting increasingly flexible lending patterns. Devoid of a distinctive normative content beyond a general sense of paradigmatic relaxation, this is an ultimately reactive, indirect approach, and does not amount to a comprehensive strategy. In turn its contribution to overall organizational efficacy is vague, whereas the viability of individual initiatives varies greatly.

Before outlining these initiatives, let us broadly locate their immediate drivers within the specialist literature on the Fund and Bank. The influence of powerful member states has figured prominently in studies of IFI behaviour.[27] Yet few changes discussed below can be traced straight back to the preferences of the twins' Northern shareholders. Nor could these changes be readily associated with any clear direction in development paradigm, another widely invoked theme.[28] If anything, the sort of flexibility that characterizes recent Fund and Bank practice is indicative of a preference for pragmatism over ideational rigidity,.

The main driver behind the IFIs' adaptive efforts appears to be their dynamic organizational imperatives in a changing operational environment. Over the years both agencies have displayed varying degrees of autonomy embedded in distinct bureaucratic cultures and operating procedures, as documented in constructivist scholarship.[29] This relative autonomy is now employed to align the twins' operative framework and lending patterns with evolving client preferences and capabilities — provided such alignment does not openly contravene shareholder interests. As such, the findings follow an emergent scholarly interest in the role of structural environmental changes in shaping IFI practice.[30]

*Preserve and expand: refocusing on the 'conventional South'*

The IFIs' most obvious adaptive mechanism is to preserve and, where possible, expand their operations. This is best manifested in their attitude towards concessional lending and loans to smaller members that comprise their portfolio in the 'conventional South.'

The IMF is still the world's unrivalled lender of last resort, as proven in the vital role it played during the eurozone crisis. Relatively little attention has been paid, however, to the resurgence of loans elsewhere. In actuality, the majority of Fund arrangements since the global crisis has targeted the developing world, with more than 40 facilities extended to sub-Saharan Africa alone. While these programmes are typically much smaller in size than loans to Europe (Greece, Hungary, Portugal) and the European periphery (Ukraine in particular), their pervasiveness represents a new era of intense IMF presence in developing areas. Fund clients in the post-crisis period include many regionally important economies in the global

[27] Some such accounts are inspired by principal-agent theory, but the emphasis on powerful members is not the prerogative of a single analytic persuasion. For a range of examples, see Bessma Momani, 'The American politicization of the International Monetary Fund', *Review of International Political Economy* 11: 5, 2004, 880–914; Christopher Kilby, 'An empirical assessment of informal influence at the World Bank', *Economic Development and Cultural Change* 61: 2, 2013, pp. 431–64; Daniel L. Nielson and Michale J. Tierney, 'Delegation to international organizations: agency theory and World Bank environmental reform', *International Organization* 57:2, 2003, 241–76; Randall W. Stone, *Controlling institutions: international organizations and the global economy* (Cambridge: Cambridge University Press, 2011).

[28] See, among numerous others, Sarah Babb, 'The Washington Consensus as transnational policy paradigm: its origins, trajectory and likely successor', *Review of International Political Economy* 20: 2, 2012, 268–97; Park and Vetterlein, *Owning development*; Rodrik, 'Goodbye Washington consensus, hello Washington confusion?'

[29] Michael Barnett and Martha Finnemore, *Rules for the world: international organizations in global politics* (Ithaca: Cornell University Press, 2014), chapter 3; Catherine Weaver, *The hypocrisy trap: the World Bank and the poverty of reform* (Princeton: Princeton University Press, 2008).

[30] Phillip Y. Lipscy, 'Explaining institutional change: policy areas, outside options, and the Bretton Woods institutions', *American Journal of Political Science* 59: 2, 2015, pp. 341–56; Manuela Moschella and Antje Vetterlein, 'International organizations and organizational fields: explaining policy change in the IMF', *European Political Science Review* 6: 1, 2014, pp. 143–65.

South, such as Afghanistan, Bangladesh and Pakistan in Asia, and Angola, DR Congo, Egypt, Ghana, Kenya and Tanzania in Africa.

This resurgence in lending coincided with shifts in lending framework. In 2009, the much-maligned structural performance criteria (hard conditionality) were abandoned, while softer conditionality such as structural benchmarks was retained. More important, in an attempt to 'make the Fund's support to LICs more flexible and tailored to their increasingly diverse needs',[31] concessional lending facilities were revamped. The Poverty Reduction and Growth Facility (PRGF), the Fund's principal instrument of concessional lending, was replaced by a new Extended Credit Facility (ECF), which was modelled after the standard instrument towards the MICs, the Stand-By Arrangement (SBA). In addition, two new shorter-term concessional facilities were introduced: the Standby Credit Facility (SCF) and the Rapid Credit Facility (RCF), the latter with minimal policy conditions.

In hindsight, the changes in lending architecture represented only the beginnings of an ongoing rethink of the Fund's role in developing countries. For one, there has been growing acknowledgment of the often negative social impact of Fund programmes, leading to the 'near universal incorporation of social-spending targets into concessional lending arrangements.'[32] The purpose is to protect the type of spending deemed crucial for poverty reduction (such as health and education spending) from the ill-effects of Fund-led austerity programmes. Furthermore, the Fund's concessional lending capacity was expanded in 2012, and a new Poverty Reduction Strategy (PRS) approach was adopted in 2015, ahead of the UN's Financing for Development summit.[33] The critical novelty here is the replacement of the Poverty Reduction Strategy Paper (PRSP) process with an Economic Development Document (EDD) that gives borrowers greater leeway in policy goals of Fund programmes. Determined to remain a major player in the South, the IMF is seeking to reposition itself and maximise its role in poor countries by modifying its operational practice.

In the Bank's case as well, the crisis provided an impetus to step up loans to LICs. However, this increase was neither immediate, nor did it initially accompany a change in lending instruments. The Bank's early focus was distinctly on the MICs: between 2007 and 2010, annual commitments of the IBRD tripled, whereas those of the International Development Association (IDA), the organization's concessional lending arm, increased by only a quarter.[34] Meanwhile, there was continuity in lending instruments, as the Bank's conventional division between investment lending (infrastructure projects) and policy lending (often disbursed via the Development Policy Loans, or DPLs) persisted.

This sense of continuity proved deceptive. Several dynamics have converged in recent years to indicate an enhanced Bank focus on LICs. With the replenishment of the IDA's funds in 2010, commitments to LICs rose significantly, topping $20 billion in 2014 and overtaking commitments by the IBRD for the first time in recent history.[35] Meanwhile, Jim Yong Kim's tenure since 2012 as the Bank's president turned out to be surprisingly transformative. Controversies surrounding internal reorganization aside, a rethinking has taken place about the Bank's role in a changing development space, one outcome of which is a more proactive stance on human development and humanitarian emergencies, such as the

[31] IMF, *Handbook of IMF facilities for low-income countries* (Washington, DC: IMF: 2016), p.6.
[32] Liam Clegg, 'Social spending targets in IMF concessional lending: US domestic politics and the institutional foundations of rapid operational change', *Review of International Political Economy* 21: 3, 2014, p. 754.
[33] IMF, *Reform of the Fund's policy on poverty reduction strategies in Fund engagement with low-income countries—proposals* (Washington, DC: IMF: 2015).
[34] Ali Burak Güven, 'The IMF, the World Bank, and the global economic crisis: exploring paradigm continuity', *Development and Change* 43:4, 2012, p. 876.
[35] World Bank, *World Bank annual report* (Washington, DC: World Bank, 2015), p. 58.

Ebola outbreak.[36] Finally, a new lending instrument was introduced in 2012—the Program for Results (PforR).[37]

The PforR scheme differs from other Bank lending in that it finances member governments' existing programmes, with disbursements made against specific achievement indicators. One underlying motive was the global aid effectiveness movement that gained significant official support since the mid-2000s,[38] favouring results-oriented programmes over built-in political incentives of donors. Competition in the South from emerging donors as well as new players such as private foundations was another motive. In such an 'age of choice'[39] for borrowers, providing flexibility in design and implementation becomes crucial.[40] The PforR therefore ticks multiple boxes for the Bank.

The two-year review of PforR paints it a success story, and calls the Bank's Board of Directors to both remove the existing cap on PforR commitments, thus maximizing disbursement, and give staff additional flexibility in implementation, for example with regards application of anticorruption guidelines.[41] This request for increase in commitment levels and leniency in principles of implementation[42] is understandable given the main source of demand for the instrument. As of April 2017, 18 PforR operations were approved in Africa, 14 in South Asia, and 11 in the Middle East and North Africa, together accounting for over 70 percent of total commitments via the scheme.[43] The share of upper-middle income countries in PforR has been minimal, with the vast majority of loans targeting LICs and lower-middle income members, as proven by substantial demand from countries such as Egypt, Ethiopia, Kenya, Morocco, Pakistan, Tanzania and Vietnam. Rapid and smooth disbursement of funds is imperative to maintain the Bank's position as a major lender in such contexts where it already encounters competition from new donors and investors.

To conclude, over the past decade the twins have adopted a proactive stance to preserve their financial presence and thereby policy influence in the poorer regions of the South. To that end they have introduced new instruments and sought to render their lending architecture more borrower-friendly by displaying adaptability in both their policy prescriptions (as in the Fund's commitment to social spending and the EDD initiative) and operational practice (as in Bank efforts to bypass its own anticorruption guidelines).

### *Flexible when necessary: emerging economies as moving targets*

Continuing their operational engagement with large MICs represents a bigger challenge for the twins. The threats of evasion and substitution are most tangible in emerging

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[36] Andrew Rice, 'The evolution of an idealist', *Foreign Policy* 218, May/June 2016, pp. 42–59.

[37] World Bank-Operations Policy and Country Services, *A new instrument to advance development effectiveness: Program-for-Results financing* (Washington, DC: World Bank, 2011).

[38] Matthew S. Winters and Shyam Kulkarni, 'The World Bank in the post-structural adjustment era', in Manuela Moschella and Catherine Weaver, eds, *Handbook of global economic governance: players, power and paradigms* (London: Routledge, 2014), pp. 233–48.

[39] Prizzon et al., *An age of choice for development finance*.

[40] Ben Cormier, 'Empowered borrowers? Tracking the World Bank's Program-for-Results', *Third World Quarterly* 37: 2, 2016, pp. 209–26.

[41] World Bank-Operations Policy and Country Services, *Program-for-Results: two-year review* (Washington, DC: World Bank, 2015), p. vi. Compare this to the report of the Bank's Independent Evaluation Group (IEG), which identifies several areas of weakness; see World Bank-IEG, *Program-for-Results: an early stage assessment of the process and effects of a new lending instrument* (Washington, DC: World Bank, 2016).

[42] Internal response to PforR thus offers a vivid illustration of the 'disbursement imperative' in the Bank's operational culture; see Catherine Weaver, 'The World's Bank and the Bank's World', *Global Governance* 13:4, 2007, pp.506ff.

[43] World Bank, 'Program for Results, chart of operations', http://pubdocs.worldbank.org/en/261531473875279594/PforR-PDF-of-chart-of-operations-Website.pdf.

countries, where enhanced access to private financing and good economic fortunes until recently have raised doubts about the value of multilateral borrowing. Given this constraint, the IFIs have but little choice to be even more accommodating towards large MICs. Keeping emerging countries within the fold requires maximum flexibility.

The challenge is most daunting for the Fund, whose business model relies on providing emergency financing in exchange for borrower fulfilment of policy conditions. This means countries that knock on the IMF's door should be both desperate for financing *and* willing to forgo policy autonomy. The problem for the IMF is the attitude shift in large MICs: an unwillingness to sacrifice policy independence even amidst grim prospects. Cases in point are Russia and Turkey during the global crisis, which both resisted IMF financing despite being hit hard; Brazil in recent years is another example. In fact, since Turkey's small follow-up SBA in 2005, no large MIC has borrowed from the Fund. One factor here is that, thanks to past structural reforms, deeper global financial integration, and beefed up reserves, most large economies are no longer as prone to old-style emergencies characterized by acute fiscal, balance of payments or currency shocks. They have also developed a higher economic pain threshold than before to wilfully sign policy authority over to Fund bureaucrats.

The organization has been aware of this constraint, and its main answer has been to seek a different engagement with large MICs through a new arrangement, the Flexible Credit Line (FCL). Introduced in March 2009, the FCL targets 'countries with very strong fundamentals, policies, and track records of policy implementation.'[44] On paper, it is intended as a precautionary mechanism that offers non-discretionary access to a pot of funds. But in practice, the prequalification criteria are so stringent that the FCL is merely a large insurance policy bearing the Fund's seal of approval for the soundness of an economy. The mechanism is built on comprehensive *ex ante* conditionality, meaning applicants must demonstrate competence in both core indicators such as a sustainable fiscal position and the overall context of economic governance. As such, the FCL's main function for national policymakers is the ability to signal to foreign investors their creditworthiness by flaunting ready access to IMF funds. Drawing on it is highly undesirable as it would mean admission of major trouble.

Some critics of the Fund have praised the FCL as a step in the right direction; it is, after all, a mechanism to reward policy prudence rather than bail out irresponsible, reform-resistant governments.[45] Others have applauded it for nudging the Fund towards a more genuine 'lender of last resort' position in the global economy, its originally intended role.[46] Nevertheless, demand for the arrangement has been modest, to say the least. Only Colombia, Mexico, and Poland signed up for it, all within two months of its introduction. They also all remain on a rolling arrangement, having renewed their status multiple times. Mexico is by far the most heavily insured; its latest arrangement of SDR62 billion has taken total Fund commitments to the country to well over SDR200 billion.

The FCL provides clear evidence of the scale of the challenge the Fund faces to keep large MICs in its client pool. At first glance, it is the ultimate tailoring of the organization's lending architecture to the growing client aversion to conventional facilities. However, by continuing to place the Fund on a pedestal of policy expertise and approval without addressing 'issues of stigma'[47] for borrowers, it reproduces an institutionalised hierarchy

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[44] 'IMF implements major policy lending improvements', IMF Press Release, No. 09/85, http://www.imf.org/external/np/sec/pr/2009/pr0985.htm.

[45] Allen H. Meltzer, 'The IMF returns', *Review of International Organizations* 6:3/4, 2011, pp. 443–52.

[46] Jari John and Tobias Knedlik, 'New IMF lending facilities and financial stability in emerging countries', *Economic Analysis and Policy* 41: 2, 2011, pp. 225–38.

[47] Carmen M. Reinhart and Christoph Trebesch, 'The International Monetary Fund: 70 years of reinvention', *Journal of Economic Perspectives* 30: 1, 2016, p. 24.

emerging powers often find toxic. No wonder then that Brazil and Indonesia announced their lack of interest in the new facility within months of its introduction. In the years that followed, strong recovery in most MICs amidst continued controversy over governance reforms at the institution left no appetite to endure even trace amounts of Fund influence.

The Bank's experience with large MICs has been nearly the polar opposite. Not only has it retained emerging countries as active clients but it has managed to do so without major adjustments to its lending architecture. A small group of large developing countries (comprising Argentina, Brazil, China, India, Indonesia, Mexico and Turkey) have consistently remained amongst the Bank's biggest clients for the past four decades, accessing resources through conventional channels of project and policy lending (and, with the quite recent exception of India, not so much via the new PforR). In 2009-15, total commitments to these countries exceeded $100 billion, comprising more than a third of all Bank lending.[48]

Lending heavily to these members is excellent business for the Bank: it contributes handsomely to the IBRD's bottom line; it helps maintain policy foothold in systemically significant countries; and it offers a familiar environment where it can operate with relative ease and confidence. The Bank's enthusiasm is evident in its 2014 decision to raise its Single Borrower Limit by US$2.5 billion each for Brazil, China, India, Indonesia and Mexico.[49]

The motives of emerging countries in continuing to borrow from the Bank are more complex. One incentive is cost. Despite improved opportunities for private financing, multilateral development banks still offer more competitive rates and better terms. Technical assistance is also a potential factor. The Bank offers a wide array technical expertise, which could entice countries that are otherwise unlikely to be attracted by price considerations alone, which was often suggested at the main motive behind Chinese borrowing.[50] An active loan portfolio would include demonstration projects and considerable knowledge transfer, assuring unbroken access to the organization's analytical and advisory activities (AAA).

Perhaps the most important factor is the built-in flexibility that the organization provides in comparison to the IMF. The Bank has at its disposal a stupendous array of policy instruments, which can be deployed liberally to accommodate borrower preferences without strict adherence to a restrictive set of normative priorities, especially when countries are unburdened with concurrent IMF programmes. As a result, large MICs, as valuable clients free from IMF constraint over the past decade, have been able to draw on the organization's vast repertoire with minimal policy compromise. In China, India and Turkey, for example, the emphasis has been on physical and market infrastructure, whereas intrusive policy lending that targets governance items has been marginalised. By contrast, in Argentina, Brazil and Mexico, loans have reflected growing regional sensibilities of social sustainability, and prioritised human development and social protection, often supporting existing programmes such as *Oportunidades* and *Bolsa Familia*.[51] In short, countries have been able to tap Bank funds selectively and in accordance with their domestic preferences, which permits borrower-driven realignments of the Bank's operational focus on the ground.

This brief discussion highlights the importance of differences in mandate and organization for the twins' ability to appeal to different clients. What the Bank manages to accomplish rather effortlessly, the Fund cannot despite bold institutional innovation. Still,

[48] Güven, 'The World Bank and emerging powers.'

[49] 'World Bank President sees $100 billion increase in lending ability to help end poverty', World Bank Press Release, 01 April 2014, http://www.worldbank.org/en/news/press-release/2014/04/01/world-president-100-billion-increase-lending-poverty.

[50] Pieter Bottelier, 'China and the World Bank: how a partnership was built', Stanford Center for International Development, Working Paper No. 277, 2007.

[51] Güven, 'The World Bank and emerging powers.'

both organizations display will and capacity to adapt to an evolving context of MIC demand for multilateral lending.

*Reinforce and refine: sustaining authority via non-lending activities*

Although lending remains a defining activity for the Bretton Woods twins, their non-financial functions also present them with opportunities to reinforce their status as leading international organizations. An obvious strength is the role they play in inter-organizational cooperation. Both the Fund and Bank are members of the Financial Stability Board (FSB) as part of an exclusive club of international bodies that also includes the OECD, the Bank for International Settlements (BIS), and the European Central Bank (ECB). They were also members of the UN System Task Team that set the post-2015 Development Agenda and formulated the new Sustainable Development Goals (SDGs). The scale of their organizational reach and transnational policy influence via such platforms can be neither directly undermined by rising powers nor easily matched by new rival organizations.

Some of this reach and influence stem from distinct non-lending functions. For the Fund, surveillance is arguably the most visible such function. Multilateral as well as bilateral oversight is indeed the principal mandate of the Fund, which it bequeathed from the League of Nations.[52] To this end it has various instruments at its disposal, from Article IV Consultations and Financial Sector Assessment Programs (FSAP) at the national level to various periodic reports at regional and global levels such as the World Economic Outlook, and setting standards for data dissemination across its membership, which together amplify the organization's policy leverage and normative influence.[53] Yet the rapid contagion of the global crisis exposed weaknesses in the organization's capacity to fulfil this function, triggering an institutional overhaul, including staff composition of FSAPs.[54] A significant change was the adoption in 2012 of a new Financial Surveillance Strategy, which, among other things, aimed to integrate bilateral and multilateral surveillance (IMF 2012). More crucially, the crisis underlined the Fund's authority as a major international standard-setting body and consolidated its distinctive place among other platforms of global governance. These functions of the IMF are largely immune to the rise of new powers.

A related area is economic policy norms. A combination of shrinking clientele and the apparent success of experimentation in some rising economies had curtailed the Fund's normative clout by the mid-2000s. The surge in lending after the crisis along with its role in the FSB revived the organization's leverage, inspiring a vibrant scholarship on its evolving normative proclivities. One major theme in this literature is fiscal policy, in particular, the IMF's varied position on fiscal austerity versus countercyclical policy.[55] Another concerns financial regulations and especially the organization's increasingly receptive attitude towards capital controls.[56] But while it is tempting to envision the Fund as more open-minded than before,[57] some of this flexibility may not resonate as strongly on the ground. In fact recent

[52] Louis Pauly, *Who elected the bankers? Surveillance and control in the world economy* (Ithaca: Cornell University Press, 1997).

[53] Domenico Lombardi and Ngaire Woods, 'The politics of influence: an analysis of IMF surveillance', *Review of International Political Economy* 15: 5, 2008, pp. 711–39.

[54] Manuela Moschella, 'IMF surveillance in crisis: the past, present, and future of the reform process', *Global Society* 26: 1, 2012, pp. 43–60; Leonard Seabrooke and Emelie Nillson, Professional skills in international financial surveillance: assessing change in IMF policy teams', *Governance* 28: 2, 2015, pp. 237–54.

[55] Cornel Ban, 'Austerity versus stimulus? Understanding fiscal policy change at the International Monetary Fund since the Great Recession', *Governance* 28: 2, 2015, 167–83.

[56] Jeffrey Chwieroth, 'Controlling capital: the International Monetary Fund and transformative incremental change from within international organisations', *New Political Economy* 19: 3, 2014, pp. 445–69; Manuela Moschella, 'The institutional roots of incremental ideational change: the IMF and capital controls after the global financial crisis', *British Journal of Politics and International Relations* 17: 3, 2015, pp. 442–60.

[57] Jonathan D. Ostry, Prakash Loungani and Davide Furceri, 'Neoliberalism: oversold?', *Finance &*

research finds continuity in the Fund's policy conditionalities over the past three decades.[58]

The Bank's position is similar. Its research department (the Development Economics Vice-Presidency) and its 'capacity building' arm (the World Bank Institute) have long carried considerable weight in the creation and dissemination of development policy norms, in a way that typically privileged paradigms ascendant in the Anglo-American core.[59] Building on this strength, from the mid-1990s onwards the organization has cast itself as a 'knowledge bank' at the forefront of efforts to diagnose and treat development problems.[60] However, in its undertakings the Bank would be continually encumbered with 'economisation, quantification and blueprint approaches.'[61] As with the Fund, it also suffers from a structural gap between rhetoric and policy reality on the ground.[62]

What distinguishes the Bank from its twin is the scale of expertise at its disposal and the wide-ranging role this expertise plays in its operations. It would not be an exaggeration to portray the Bank as an ecosystem of multiple 'epistemic communities.' As the world's largest development bank involved in hundreds of complex projects at any time, the Bank employs not only thousands of economists, but also scores of sectoral and area specialists from agriculture to education, energy, environment, health, public governance, and trade. It is through this pool of experts that the Bank provides significant technical assistance (TA) to member governments as part of its lending operations. This has traditionally been an important attraction for large MICs such as China that are interested in demonstration projects. In turn disseminating policy lessons from high performers to the rest of the clientele is often cited as an important motive for the organization to engage the MICs.[63]

The Bank actively seeks to maximize the gains from its expertise. The distinct specialisms at its disposal formed the basis of a controversial restructuring in 2013–4, which introduced fourteen Global Practices to bring together experts who share the same specialism but were previously assigned to different regional directorships.[64] Restructuring the Bank based on expertise rather than geography was presented as one way of improving its efficacy. This pool of expertise also allows the organization to reach out to countries that are otherwise uninterested in Bank loans. Reimbursable Advisory Services (RAS) is the mechanism in place since the 1970s to this end, offering countries customised technical assistance for a fee. In Europe and Central Asia, for example, RAS programmes have recently found clients amongst not only existing borrowers such as Albania and Kazakhstan but also high-income economies including Czech Republic and Italy.[65] While income from these programmes is

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*Development* 52: 2, 2016, pp. 38–41.

[58] Alexander E. Kentikelenis, Thomas H. Stubbs, and Lawrence P. King, 'IMF conditionality and development policy space, 1985–2014', *Review of International Political Economy* 23: 4, 2016, pp. 543–82.

[59] Kate Bayliss, Ben Fine, and Elisa Van Waeyenberge, eds, *The political economy of development: the World Bank, neoliberalism and development research* (London: Pluto, 2011); Robin Broad, 'Research, knowledge, and the art of "paradigm maintenance": The World Bank's Development Economics Vice-Presidency (DEC)', *Review of International Political Economy* 13: 3, 2006, 387–419. See Adrian Bazbauers, 'The World Bank as development teacher', *Global Governance* 22: 3, 2016, pp. 409–26, on the centrality of the Bank's 'training programs' for norm dissemination and socialization.

[60] Liam Clegg, 'Our dream is a world full of poverty indicators: the US, the World Bank, and the power of numbers', *New Political Economy* 15: 4, 2010, pp. 473–92; Teresa Kramarz and Bessma Momani, 'The World Bank as knowledge bank: analyzing the limits of a legitimate global knowledge actor', *Review of Policy Research* 30: 4, 2013, pp. 409–31.

[61] Antje Vetterlein, 'Seeing like the World Bank on poverty', *New Political Economy* 17: 1, 2012, p. 54.

[62] Weaver, *The Hypocrisy Trap*.

[63] Gregory Chin, 'The World Bank and China: the long decade of realignment', in Carla P. Freeman, ed., *Handbook on China and developing countries* (Cheltenham: Edward Elgar, 2016), pp. 172ff.

[64] 'Restructuring hell at the World Bank', *Financial Times*, 9 April 2014.

[65] World Bank, *Reimbursable advisory services in Europe and Central Asia (ECA)* (Washington, DC: World Bank, 2014).

limited, they underline the uniqueness of the Bank in terms of both the scope of its expertise and the ways in which this expertise can be deployed.

Reinforcement of authority through non-lending activity is the least purposeful of the coping mechanisms outlined in this paper. The twins do not bolster their research activities, carry out surveillance functions, cooperate with other organizations or deploy their expertise to counter the already diffuse and unquantifiable normative influence of rising countries. It is thus more appropriate to view this coping mechanism as an unintended consequence of the organizations continuing their pre-existing activities with seemingly innocuous adaptations, which nonetheless might yield a generic defence against the normative challenges they face.

**Dispensing development policy as 'the rest' rises**

In an increasingly multipolar world, the IMF and the World Bank face severe challenges to their authority and viability, but they also employ mechanisms to navigate these challenges, and defend their position as elite players in the global institutional landscape. The twins' resilience stems in part from their non-lending activities, the refinements to which help reinforce normative and policy authority. But the organizations have also openly or discreetly modified their lending framework and patterns to sustain their operational viability.

While the refinements and modifications outlined above display too wide a range to proceed from a single causal factor or mechanism, the findings are not without implication for theories of international organizational behaviour and for the specialist literature on the IFIs. Some changes, as in the Fund's incorporation of social spending targets, are linked to shareholder initiatives,[66] while others, as in the organization's more receptive attitude towards capital controls, reveal an incremental path including external and internal forces.[67] Yet at first glance most adaptive efforts rest on a different dynamic, that is, internally-devised responses to the systemic and at times rapid shifts in the operational environment. This applies to the Fund's extensive overhaul of its lending framework during the height of the global crisis including the creation of the FCL, and its subsequent adoption of EDD, and to the Bank's new PforR as well as its enhanced flexibility towards large MICs. In exploring the origins of these adaptations, therefore, future research would benefit from methodically combining constructivist insights on intra-organizational factors with recent work on structural external determinants of IFI practice.

More important for the aims of this paper are the practical implications of the twins' adaptive efforts. One key question is whether these efforts sufficiently address the distinct challenges of growing multipolarity. This does not appear to be the case, for three reasons. First, there is the continued weight of conditionality. To be fair, most adjustments to the lending framework, from the FCL and EDD to flexible Bank lending to large MICs, extend borrowers more voice than before. Yet to provide effective remedies to operational and competitive challenges, a more explicit step away from conditionality is needed. To the contrary, IFI practice remains inextricably wedded to the hierarchical business model of conditional lending—a model deeply unpalatable to developing countries.

Second, the viability of new measures is uneven and their value often unknown. On the operational front, the FCL has mostly been a disappointment, while on the competitive side the Bank's PforR and ad hoc flexibility towards MICs is a poor match for China's recently increased strategic appetite (not only the AIIB's rapidly growing loan portfolio but also the ambitious Belt and Road initiative). Meanwhile old instruments, such as the Fund's extended arrangements and the Bank's DPLs, still receive respectable demand.

[66] Clegg, 'Social spending targets in IMF concessional lending.'
[67] Chwieroth, 'Controlling capital'; Moschella, 'The institutional roots of incremental ideational change.'

Third, it is uncertain whether these adjustments have improved the efficacy of either organization beyond enabling them to muddle through a tough juncture. Even by the standards of their mainstream critics, the initiatives examined only tangentially address the twins' chronic problems.[68] The Fund's surveillance reforms and the Bank's expertise-based internal restructuring, for example, can both be construed as partly aiming to maximize pre-existing authority, but it is difficult to judge how much of an improvement they represent. Consequently, while the twins' efforts to adapt to their dynamics environs offer a useful counterpoint to the overly pessimistic projections about their fortunes, on balance they represent only modest deviations from existing practice and do not amount to a cohesive, interlocking new strategy. Their effectiveness in addressing the challenges of multipolarity is thus highly variable, comprising a mix of modest gain, abject failure, and untested promise.

A clearer implication of the findings concerns the perceptions and practice of North-South development cooperation. What is lacking from the adaptive efforts examined here is not only a cohesive strategy, but also a paradigmatically distinct reorientation. From the Fund's moderated attitude towards capital controls to the Bank's reluctance to uphold its own safeguards in its PforR scheme, there is a move away from standardization across clientele, and towards greater selectivity in the application of existing policy repertoire. Steady diversification of lending instruments and sustained emphasis on 'partnerships' also expand discretionary possibilities. As a result, especially on the ground if not always in official reports, both organizations are less rigid about what development refers to as 'policy practice.' The sort of normative certitude and prescriptive eagerness that characterized Fund and Bank programmes in the final quarter of the last century appears to have languished.

This point is consistent with recent observations of a significant transformation taking place in international development. Some consider it a transitory stage, with overlapping dynamics that span development thinking, donor priorities, and the overall landscape of development assistance.[69] Others argue we have entered an age in which rules, resources and norms in the development regime are only 'loosely coupled' and authority increasingly decentralized.[70] Another identifier is 'pliable neoliberalism' with increased elasticity on the part of platforms of global economic governance such as the Bretton Woods institutions.[71] Normative openness and diversity in practice are common threads in all such observations.

Can this openness and diversity catalyze a fresh institutionalized settlement in international development? Only if there are additional new dynamics to also undermine the political-economic background of rising multipolarity and deficient multilateralism, such as a long overdue economic implosion in China that might create financing needs of a different order, or transformative political jolts in the North to overturn intensified scepticism towards formal mechanisms of global economic coordination. But if recent trends of sluggish yet steady growth in many emerging economies and populist-conservative aversion to multilateralism in leading advanced polities persist, the possibility of a proper new settlement is slim at best. The sort of ad hoc adaptation and muddling through evidenced in this paper will then remain the dominant scenario until a genuine threshold is reached.

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[68] See, for example, Barry Eichengreen and Ngaire Woods, 'The IMF's unmet challenges', *Journal of Economic Perspectives* 30: 1, 2016, pp. 29–52; Kahler, 'The global economic multilaterals'; Ravallion, 'The World Bank'.

[69] Sophie Harman and David Williams, 'International development in transition', *International Affairs* 90: 4, 2014, 925–41.

[70] Sarah Babb and Nitsan Chorev, 'International organizations: loose and tight coupling in the development regime', *Studies in Comparative International Development* 51: 1, 2016, pp. 81–102.

[71] James Mittelman, 'Repositioning in global governance: horizontal and vertical shifts amid pliable neoliberalism', *Third World Quarterly* 37: 4, 2016, pp. 665–81.