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Whither the Post-Washington Consensus? International Financial Institutions and Development Policy Before and After the Crisis

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ABSTRACT

This article explores the direction, drivers and implications of change in the IMF and the World Bank's policy vision for developing countries before and after the global crisis. By examining the evolution of the Fund's structural conditionalities and the thematic distribution of Bank commitments, it provides evidence for a significant change on the ground: a partial retreat from the post-Washington Consensus (PWC) agenda, which marked a turn-of-the-century upgrade of orthodox neoliberalism. Conceptualising the PWC as a *paradigm expansion* that followed severe policy failures, the analysis finds that although narrow institutional reforms towards upgrading fiscal and financial regimes remain popular, the good governance and broad institutions dimension of the agenda has recorded a notable decline since the crisis; meanwhile in social policy the twins increasingly diverge. It is argued that this selective disengagement is driven by extant *operational imperatives and constraints*, which are further intensified by changes in lending framework and the ongoing transformations in development finance. Rather than constitute a shift in policy paradigm, the partial decline of the PWC reflects an adjustment in policy practice towards greater flexibility and discretion in the challenging environment facing the twins. These findings have implications for the study of the Fund and Bank; they also highlight the evolving parameters of North-South development cooperation.

INTRODUCTION

The global economic crisis of 2008-09 led to a dramatic rise in International Monetary Fund (IMF) and World Bank lending to developing countries, restoring the Bretton Woods twins' intense involvement in the global South after a brief hiatus earlier in that same decade. Scholarship on the Fund and Bank's resurgent role in the South remains thin, however. It also lacks agreement on the trajectory of the prescriptive focus of these leading international financial institutions (IFIs). Some analyses highlight shifts and recalibrations, especially at the Fund, that indicate recognisable departures from conventional policy proclivities (Ban and Gallagher 2015; Grabel 2011; 2015; Moschella 2015). Others, however, suggest that the twins' development wisdom is characterised by considerable paradigmatic continuity (Gabor 2010; Güven 2012a; Kentikelenis, Stubbs and King 2016).

This article seeks to understand the main direction, drivers and implications of change in the IMF and the World Bank's policy vision for developing countries as manifested in their lending operations before and after the global crisis. It launches from the observation that, when the crisis struck, both organisations had for some time adopted a specific variant of neoliberalism: the post-Washington Consensus (PWC). Representing a turn-of-the-century upgrade of orthodox neoliberalism, the PWC adhered to the market-orientation of its predecessor, but advocated a more comprehensive agenda that emphasised good governance, regulatory reforms, and social sustainability (Fine, Lapavitsas and Pincus 2001; Öniş and Senses 2005; Rodrik 2006; Stiglitz 1998; 2008). It is therefore not the Washington Consensus

of the 1980s, but the social, regulatory neoliberalism of the PWC that should serve as the benchmark against which to assess continuity and change in the IFIs' prescriptive vision.

Do the twins' post-crisis programmes reflect the PWC wisdom? Only partially. By comparing structural loan conditions in 100 largest Fund arrangements in developing countries in 2002-2016 and aggregating thematic data on the Bank's loan commitments for the same period, the article demonstrates the following: (i) the 'good governance' and 'broad institutions' agenda has been wiped out in Fund facilities and suffered a relative decline in Bank commitments since the crisis, although reforms that target 'narrow institutions', in particular to upgrade national fiscal and financial regimes, remain popular; (ii) while the social sustainability agenda has been fully consolidated in Bank lending, the Fund is increasingly reluctant to directly engage the design of social policies; and (iii) regional variations notwithstanding, these patterns hold for both concessional and nonconcessional lending. The empirical finding, therefore, is that the PWC agenda is in partial decline on the ground. It has been largely abandoned by the IMF in favour of a narrower policy vision, whereas the World Bank's advocacy of some of its distinguishing content has weakened.

The article explores the causes and implications of this selective disengagement from the PWC by drawing on the rich theoretical and empirical scholarship on the IFIs. Its main contribution is to put *operational imperatives* at the centre of analysis. Such imperatives appear in both rationalist and constructivist research on international organisations (IOs), yet they seldom take centre stage. In the case of the Fund and Bank, they include various direct influences on *lending practice*, ranging from lending framework and staff expertise to evolving borrower preferences. I argue that, given the breadth and complexity of the PWC as well as ongoing transformations in international development finance, these practical internal and external constraints provide profound insight into contemporary IFI practice.

This argument is developed in three stages. First, the analysis offers a novel conceptualisation of the PWC as a *paradigm expansion* (as opposed to paradigm shift). The twins expanded their prescriptive gaze to counteract the erosion of their expert authority under severe policy failures associated with the original consensus (Best 2014). The way new norms were incorporated without abandoning existing repertoire matched what historical institutionalist scholars call *layering* (Streeck and Thelen 2005); the *exploration-exploitation* duality advanced in organisation theory (March 1991) also helps capture this distinct combination of old and new. Yet this broadened policy content quickly encountered severe constraints, exposing gaps in expertise and receiving initially reluctant staff uptake (Barnett and Finnemore 2004, ch3; Weaver 2008). Its excessively wide, top-down character also contravened synchronous internal initiatives and external dynamics. As a result some PWC norms remained weakly 'internalised' (Finnemore and Sikkink 1998) and only partially 'stabilised' (Park and Vetterlein 2010).

Second, building on official documents, secondary literature, and interviews with Fund and Bank staff, the article explains the selective retreat from the PWC with the intensification of these operational constraints. Internally, the twins' already contested capacity to promote PWC-style reforms has been frustrated further by the post-crisis overhaul of their lending architecture. Externally, changes in the 'organizational fields' (Moschella and Vetterlein 2014) or 'policy areas' (Lipsy 2015) in which the IFIs operate are significant. Of particular relevance are structural shifts in the international development regime (Babb and Chorev 2016; Mawdsley 2017), which stifles borrower demand and tolerance for intrusive governance and social policy reforms. The operational spaces vacated are often filled with programmes that reflect the Fund and Bank's core competences (Broome 2015; Güven 2017a). What is missing from this explanation also matters to students of the twins: the partial decline of the PWC is neither directly correlated with the preferences of powerful members, nor does it stem from unambiguous shifts in the normative proclivities of staff.

Third, the article contends that the selective disengagement from the PWC represents a shift not in policy paradigm, but in *policy practice* towards enhanced flexibility and discretion. A key dynamic is that the PWC components in decline are not fully abandoned: not only do they receive ample organisational and staff recognition, but they continue to be routinely implemented in willing clients. As such, the twins' current lending patterns do not reveal a severe systemic discrepancy between rhetoric and policy along the lines of 'organised hypocrisy' (Weaver 2008). Rather, they reflect a form of 'bureaucratic ambiguity' (Best 2012a) that reinforces discretionary practice to counteract environmental uncertainty and diversity. In an evolving context of international development finance which expands borrowers' options while constraining Northern multilaterals' capacity to 'coercively diffuse' grand policy paradigms, the selective retreat from the PWC usefully augments the twins' operational flexibility — albeit at the expense of paradigmatic certitude.

A PARADIGM EXPANSION

While the term 'post-Washington Consensus' implies a definite break with the Washington Consensus, the policy norms that comprise the PWC represented not a paradigm shift but a *paradigm expansion* within mainstream wisdom. The origins of this expansion lay in the Fund and Bank's acknowledgement of the failures of the neoliberal orthodoxy that had informed their prescriptions since the late 1970s. The PWC addressed this discontent by complementing, rather than replacing, market-orientation with a focus on the social dimension and the political-institutional context of development.

The main driver behind the PWC was the understanding within and outside the IFIs that orthodox neoliberalism had failed to deliver its promise and become impractical to pursue without adjustment (Gore 2000). As such the PWC was a response to what Jacqueline Best terms *contested failures* that 'raised significant questions about the [IFIs'] claims to expert authority' (2014: 67). Two failures in particular resonated with the economism of the IFIs: First, the growth record of liberalisation was disappointing. Neoclassical economists had argued that market reforms would stimulate growth. This proved wrong as median real per capita growth in the South in 1980-98 was a dismal 0.0 percent (Easterly 2001). Second, the quality of economic performance was problematic. While extreme poverty fell, the number of the poor rose. Meanwhile the North-South gap widened and domestic inequality often increased (Wade 2004). Financial volatility was also problematic. Premature capital account liberalisation exposed weak domestic financial systems to the vagaries of global markets. In 1994 Mexico and Turkey, both loyal clients of the IFIs, became the first casualties in a subsequent string of crises to devastate large middle-income countries (MICs).

By the mid-1990s observers had begun to argue that adherence to a set of neoliberal policies was insufficient; the scope had to be broadened towards 'second generation reforms' (Naím 1994). Elements of *expansion* were already visible at the Bank. James Wolfensohn's famous 'cancer of corruption' speech urged the organisation to consider not only 'economic and financial efficiency' but also 'transparency, accountability, and institutional capacity' (Wolfensohn 1996). The following year's World Development Report underlined this shift in focus. The Bank now announced that 'development requires an effective state, one that plays a catalytic, facilitating role' (World Bank 1997: iii). Extreme state minimalism was no more.

The tipping point was the Asian Crisis, during which the IMF's standard prescriptions received severe criticism. A flurry of internal research and official reports in subsequent years facilitated the switch to an expanded prescriptive outlook. Two World Bank texts in 1998 set the tone. The first was Joseph Stiglitz's (1998) famous WIDER lecture, which coined the term PWC — the paper was aptly entitled 'More Instruments and Broader Goals.' The second was Shahid Burki and Guillermo Perry's (1998) instrumental report on the need for a

stupendous range of institutional reforms. Next year came the first of the Bank's 'Governance Matters' papers, which formulated aggregate governance indicators ahead of its 'Governance and Anti-Corruption' (GAC) agenda (Kaufmann, Kraay and Zoido-Labatón 1999).

While the bulk of the intellectual work towards the PWC took place at the Bank, the Fund acted first to revise its lending framework in accordance, by ditching in 1999 the much maligned concessional scheme for low-income countries (LICs), the Enhanced Structural Adjustment Facility (ESAF). It was replaced by the Poverty Reduction and Growth Facility (PRGF), signalling a concern for social sustainability ahead of the 2000 UN Millennium Summit. The Bank moved much later in 2004 when its Structural Adjustment Loans (SALs) were repackaged as Development Policy Loans (DPLs) as the main 'policy lending' vehicle, by which time the distinguishing content of the PWC was already consolidated.

What precisely was this distinguishing content? Just as the Washington Consensus, the PWC too urged countries to liberalise and open their markets while exercising fiscal and monetary restraint. That neoliberal-globalist core was never disputed (Babb 2013). However, late developers were now also advised to pursue stable and inclusive growth, with poverty reduction as a core objective. Just as important, such high-quality growth required an array of market-enhancing institutions, from good governance at the broadest level to specific sectoral arrangements: neoliberal policy adjustments had to be accompanied by comprehensive institutional reforms. The result was an ambitious expansion of the twins' prescriptive gaze, culminating in what was later more accurately labelled an 'Augmented Washington Consensus' (Rodrik 2006) or the 'Washington Consensus Plus Plus' (Stiglitz 2008: 50).

One way to conceptualise this peculiar combination of the old and new is to invoke the historical institutionalist notion of *layering* (Streeck and Thelen 2005: 22ff). Emphasising the introduction of new elements alongside existing ones, layering accurately depicts a common mode of incremental change in the IFIs (Chwieroth 2014; Moschella and Vetterlein 2014). The PWC mirrored this pattern closely: its focus on the socio-political context of development complemented rather than supplanted the original consensus. Organisation theory offers a congruous conceptual device. Given how it proceeded from a sense of failure that required adjustment in IFI practice, the PWC can be viewed in terms of *organisational adaptation*, which is often associated with the dual processes of *exploration* and *exploitation*. Exploitation is characterised by 'the refinement and extension of existing competences', whereas exploration includes 'experimentation with new alternatives' (March 1991: 85).

Crucially, not all distinctive elements of the PWC were brand new; some entailed 'the exploitation of old certainties' (ibid: 71), displaying continuity with existing repertoire. Put differently, some characteristic PWC norms were already relatively 'stabilised' (Park and Vetterlein 2010); their inclusion in the broadened agenda ensured further 'internalisation' (Finnemore and Sikkink 1998), often via reframing. Consider the social dimension of the PWC, the internalisation of which was a largely natural evolution of the Bank's repertoire, which had already contained the 1970s' wave of human development concerns along with an emergent focus on empowerment, gender, and social inclusion (Rojas 2015). Given this legacy, the Bank was able to signal its commitment to social sustainability by increasing its routine lending towards pertinent projects. At the operational level this marked a change mainly in *degree*, implying 'first order change' in Hall's (1993) well-known classification.

Part of the focus on institutions also involved *exploitation* of existing competence. Both organisations were accustomed to prescribing reforms in arrangements that governed specific sectors and policy domains, including financial sector regulations, central banking, tax administration, and public expenditure management. In a global context haunted by frequent fisco-financial crises, the twins were keen to make loans towards reforms in these areas, some of which paralleled evolving international norms (as in banking regulations). This interest in what the IMF (2005) termed 'narrow institutions' also fit a global policy

environment in which the centrality of market regulation was rediscovered (Levi-Faur 2005). In these domains, the PWC helped sharpen and entrench a pre-existing reformist focus.

No wonder then many early critics of the PWC rejected the notion that it represented a genuine departure from its predecessor (Fine et al. 2001; cf. Öniş and Şenses 2005). Its characteristic content also encountered stringent attacks. The poverty reduction focus was frequently portrayed as a disciplinary rather than emancipatory intervention, promoting a more intense neoliberalism (Cammack 2004), with severe political consequences (Gould 2005). Meanwhile the institutional reform agenda was considered too ambitious for the IFIs to prescribe given their own structural constraints (Pauly 1999; Woods 2000), and too arduous to implement for most borrowers given capacity and collective action deficits afflicting the South (Grindle 2004). Of particular concern was that many reform projects dismissed questions of endogeneity and compatibility (Przeworski 2004; Harrison 2004), advocating instead the transplantation of Anglo-American blueprints (Evans 2004).

THE POST-WASHINGTON CONSENSUS AS POLICY PRACTICE: AN ‘OPERATIONAL IMPERATIVES’ APPROACH

The central argument of this article is that the ailing fortunes of the PWC can be best explained with the intensification of the extant operational constraints it encountered. While early evaluations of the PWC also hinted at problems of viability, I advance a more methodical focus on the role of *operational imperatives* in shaping IFI practice. ‘Operation’ here refers narrowly to the twins’ lending operations (excluding other activities such as surveillance or technical assistance). Operational imperatives can thus be conceived as phenomena that directly impact *lending practice* at either side of the lender-borrower nexus. Internally, the lending architecture, bureaucratic culture, the nuts and bolts of programme design, and resources pertaining to both expertise and financial bottom line pose formative constraints. Externally, borrower demand and preferences as well as sea changes in the wider lending environment constitute core dynamics. Obviously these variegated phenomena do not exist in a vacuum; they are conditioned by other forces. A formal explanatory model might incorporate some as intervening rather than independent variables. Yet given the breadth and complexity of the PWC, and the historical context of its rise and partial demise, I contend that a sustained focus on these imperatives offers a rewarding vantage point.

This is a meaningful analytic reorientation given both real-world changes and the overly ambitious character of the PWC agenda. Conventional theoretical models of IFI behaviour have been empirically informed by an era when the twins were able to exert significant control over lending practice — either as agents of Northern shareholders as typically portrayed in rationalist accounts, or as organisations autonomously asserting their normative preferences as most constructivist research saw them. By contrast, the PWC followed from the demise of the ‘confident and direct style of governance’ (Best 2014: 62) that had characterised the era of structural adjustment. As we shall see later, it suffered from a central paradox of advocating a complex and onerous agenda at a time when conventional Fund and Bank practice was challenged by transformations in the global economy and in particular development finance. Unsurprisingly, then, as policy advice to be disbursed via conditional lending, the PWC faced severe internal and external operational constraints.

The main theoretical contribution of this approach is to present a viable way of straddling the rationalist–constructivist divide in IO scholarship by highlighting phenomena that routinely feature in both strands of research, but seldom take centre stage in either. Rationalist and power-based accounts of IFI behaviour typically emphasise the interests of Northern shareholders (Nielson and Tierney 2003; Stone 2004). However, preferences and capabilities of borrowers also draw occasional attention. Lyne, Nielson and Tierney (2009)

analyse the preferences of *all* members to trace trends in lending by multilateral development banks; Pop-Eleches (2009) shows IMF lending favours systemically important borrowers; Lipsy (2015) suggests attractive ‘outside options’ empower members to foster institutional changes at the Fund and Bank. And while the hallmark of constructivist accounts is the role of ideas (Finnemore and Sikkink 1998), in exploring IFI autonomy scholars engage a much wider range of internal dynamics, including standard operating procedures, bureaucratic politics and culture, and staff profiles (Barnett and Finnemore 1999; Broad 2006; Chwieroth 2008; Weaver 2007). Finally, some constructivist research also examines the impact of borrower preferences and the external operational environment. Park (2010) illustrates how borrower influence on the part of MICs undermined the stabilisation of the Bank’s safeguards policy norm, whereas Moschella and Vetterlein (2014) argue via a case study of the Fund that an IO’s position in an ‘organisational field’ is central to patterns of policy change. Yet despite this broad recognition, operational constraints upon lending are rarely problematised as central drivers of IFI practice (for an exception, see Sharma 2013).

The PWC is a good case to illustrate the promise of this approach, for it was afflicted with unfavourable imperatives from the outset. Internally, most constraints stemmed from PWC elements that required *exploration* and nurturing of new competence. We have seen, for example, that the Bank was able to recycle its extant repertoire to internalise the social dimension of the PWC. In sharp contrast, the Fund lacked any tangible background in this area, and faced a genuine problem of *layering* new onto old practice. To that end it had to devise a novel *instrument* (the PRGF), bringing its adjustment closer to Hall’s (1993) ‘second order change.’ Furthermore, because its structural conditionalities were qualitative in nature, it was forced to prescribe detailed policy and institutional designs in realms entirely outside its staff expertise. Put differently, its lending framework augmented the significance of the types of expert authority it lacked in the first place, rendering ‘social policy’ a particularly tough operational domain for the organisation (Vetterlein 2010).

The institutional reform agenda posed a similar challenge, for both organisations. The belief in the curative promise of institutional upgrading did not stop at narrow arrangements; the doctrinal justification for the agenda demanded that the IFIs turn their gaze to ‘broad institutions’ as well. The Bank in particular relied on the growing interest in institutions in development economics, inspired by the new institutional economics of Douglass North and reflected in high-profile papers (e.g. Acemoglu, Johnson and Robinson 2001). Unlike the narrow agenda, this ‘institutional turn’ focused on macro arrangements — the quality of governance, property rights, control of corruption, and so on. In essence it saw a high-quality democracy wielding an effective state as the most fertile political-institutional shell for development. Consequently the two *layers* of the institutional reform agenda produced different *operational imperatives*: whereas ‘narrow’ reforms encouraged *exploitation* of existing practice, the preoccupation with ‘broad institutions’ entailed *exploration* and experimentation with new practice.

These exploratory requisites could not be easily reconciled with the twins’ existing culture and expertise. Expanding their prescriptive outlook to restore their expert authority paradoxically exacerbated the problem, generating new internal tensions as documented in the constructivist literature. ‘Each *layer* of new goals’, Barnett and Finnemore write, was ‘increasingly distant from the Fund’s core competencies’, weakening its credibility and raising ‘the possibility of poor policy’ (2004: 66, emphasis added). The Bank faced a similar bind as operations moved into unfamiliar terrain that contravened its project-based, disbursement-oriented culture, causing among staff ‘continued reluctance to tackle governance and institutional development projects’ (Weaver 2008: 118). As a result, internal commitment to the exploratory components of the PWC remained thin. To complicate matters further, key ‘norm entrepreneurs’ such as Joseph Stiglitz and Ravi Kanbur lost their

standing in battles against conventional policy concerns (Wade 2002). In stark contrast with the Washington Consensus, the PWC at first claimed only limited support from within.

Externally, the radical expansion of the policy scope ignored the sea changes in international development, contravening attendant shifts in borrower preferences. The augmented PWC agenda only reinforced '[t]he location of expertise in a geography of power emanating from the global north in general, and US-based institutions in particular' (Sheppard and Leitner 2010: 188-9). Entrenching this hierarchy contradicted the changing parameters of 'international development' towards new emphases on partnerships and cooperation, as manifested in the successive 'aid effectiveness' summits after 2002 and in internal initiatives such as the 'country ownership' framework (Best 2007).

Global economic dynamics were more crucial. Continuing financial crises in the late 1990s had indicated a fortuitous context to 'diffuse' the twins' broadened agenda via conditional lending. However, the 2001 Argentine and Turkish meltdowns proved to be the final major jolts to the system for a while, after which the international economy recorded seven fat years of high growth fuelled by record increases in trade and financial flows. As the need for official loans subsided, the IFIs' expanded prescriptive outlook appeared increasingly out of place. Borrower preferences shifted accordingly. The absence of financial emergencies, combined with heightened sensibilities of sovereignty accompanying growing perceptions of a rebalancing of global power towards the East and South, left little appetite for intrusive IFI programmes especially amongst large MICs. The Fund was hit hardest, with the decline in its business volume triggering a mass staff layoff in 2007. The Bank did better, rolling out numerous large DPLs inspired by the PWC wisdom, especially in Southeast Asia (Carroll 2010). Yet it too faced uncertainty over borrower demand, with its loan portfolio significantly shrunk since the Asian Crisis.

Consequently, the PWC faced very different operational conditions than its predecessor, which hindered the stabilisation of its composite policy content *as a whole*. Park and Vetterlein's (2010: 6-7) three-pronged conception of norm strength — formal validity, social recognition, cultural validity — provides useful differential perspective here. Based on these criteria, by the mid-2000s only the 'narrow institutions' agenda enjoyed sufficient 'strength' at both the lender and the borrower ends of the operational environment. The social sustainability agenda was mostly stabilised at the Bank, but did not feature comparable recognition and cultural validity at the Fund (Vetterlein 2010). Meanwhile the signature 'broad institutions' agenda was most disadvantaged: it retained strong formal validity, but received only tenuous social recognition internally at both organisations while enjoying often limited cultural validity across borrowers. This variable strength of the different components of the PWC would also be reflected in the Fund and Bank's post-crisis lending.

A CONSENSUS NO MORE: THE IMF BEFORE AND AFTER THE CRISIS

The crisis resulted in a dramatic rise in the role of the IMF in the global economy. The Fund's increased presence stemmed in part from its surveillance, research, and policy coordination functions. Yet most of the IMF's expanded role was rooted in the phenomenal rise in its loan commitments. Before the crisis, the Fund was on the verge of financial obscurity: its total commitments in FY2007-2008 amounted to less than SDR 2 billion.¹ By comparison, in FY2009-2016 commitments exceeded SDR 500 billion (IMF 2016a: 65-72).

This figure is misleading in two respects. First, more than half these commitments reflected Flexible Credit Line (FCL) arrangements — a facility introduced in 2009, with only three 'permanent' clients thus far (Colombia, Mexico and Poland). Essentially an insurance scheme aimed at projecting confidence, the FCL works on the principle that signees need not draw: no amount has ever been disbursed under FCL. Second, loan allocation has been highly

uneven. More than half of actual loans went to European members — Greece, Hungary, Iceland, Ireland, Latvia, Portugal and Romania. Outside Europe, too, there is an oligopoly of borrowers, with Iraq, Pakistan and in particular Ukraine accounting for most of the commitments. Thus, although the Fund has signed more than 100 arrangements in the South since the crisis, its conventional clients constitute a small share of its loan portfolio.

These unusual lending patterns, along with the organisation's evolving policy advice, have set the tone of current research on the Fund. Its unprecedented engagements in Europe have made a popular topic (Hodson 2015; Lütz and Kranke 2014). Yet two issues have received particular attention. The first is fiscal policy — in particular, debates over austerity versus stimulus (Ban 2015; Broome 2015). The second concerns financial regulations and the organisation's uncharacteristically receptive attitude towards capital controls (Chwieroth 2014; Grabel 2015; Moschella 2015). By contrast, a few early studies aside (e.g. Clegg 2012), little has been written on the Fund's resurgent role in its traditional client base.

Here I seek to fill this gap by comparing the Fund's structural conditionalities in its non-European loans before and after the crisis. To that end, I use the IMF's MONA (Monitoring of Fund Arrangements) database, which lists all programme conditionality, quantitative and structural.² I look at the most common instruments: Standby Arrangements (SBAs) and Extended Fund Facilities (EFFs), which offer non-concessional loans to MICs; and PRGFs (and their successor, Extended Credit Facilities or ECFs), which offer concessional loans to LICs. For a before/after analysis, I examine 25 largest programmes in each category for FY2002-2008 and FY2009-2016, for a total of 100 facilities.

MONA uses 71 codes to classify loan conditions, with each code assigned to a distinct economic descriptor. I have identified 33 of these codes/descriptors as characteristic of the PWC agenda, which I then divided into four groups: *fiscal and monetary restructuring*; *financial policy and reform*; *public and corporate governance*; and *social policy* (Appendix A). In each group, only descriptors that are readily associated with the PWC are selected: reforms in revenue and expenditure regimes; central bank reforms; financial regulations; various governance themes including civil service, transparency, and anti-corruption; and various social policy concerns ranging from pension reform to welfare regime and labour markets. I include all three types of structural conditionality: prior actions (PA), which borrowers must meet before programme approval; structural performance criteria (SPC), which borrowers must meet before the disbursement of a *tranche* of funds; and structural benchmarks (SB), which indicate compliance with programme objectives. Note that SPC was discontinued in 2009; disbursements are now decided at programme reviews.

One qualification: I include only conditionalities that appear at the stage of 'Board approval', identified in MONA as R0. While including all conditions at every programme review (R1, R2, and so on) would paint a fuller picture, concentrating on conditions at the approval stage helps avoid duplication and, more importantly, offers a good snapshot of what the IMF identifies as the core problems as it sets foot in a country. Focusing on this early stage gives us the Fund's original diagnosis and remedial preferences.

The results reveal three major findings (Figures 1 through 4).¹ First, there is sustained emphasis on fiscal, monetary and financial measures. This is consistent with Broome's (2015) suggestion of a 'back to basics' approach whereby the Fund narrows the scope of its advice towards its core competences. Looking at subcategories, during both periods monetary policy-related measures (often about central bank independence) constituted about one-fifth of all 'fiscal and monetary restructuring' conditions, although it is noteworthy that fiscal measures have carried a greater weight in post-crisis concessional loans. Likewise, the Fund pays greater attention to financial sector reforms in PRGFs/ECFs, a trend contrasted in SBAs.

¹ Note to editors/reviewers: See the review-only file for the data set relating to Figures 1 through 10.

Figure 1 Structural Conditionalities in Top-25 SBAs/EFFs and PRGFs/ECFs Fiscal and Monetary Restructuring [2002-2008 vs 2009-2016; n=100]

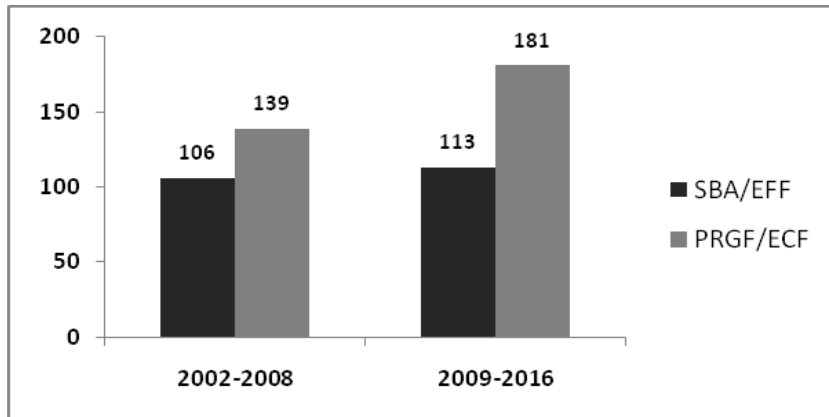


Figure 2 Structural Conditionalities in Top-25 SBAs/EFFs and PRGFs/ECFs Financial Policy and Reform [2002-2008 vs 2009-2016; n=100]

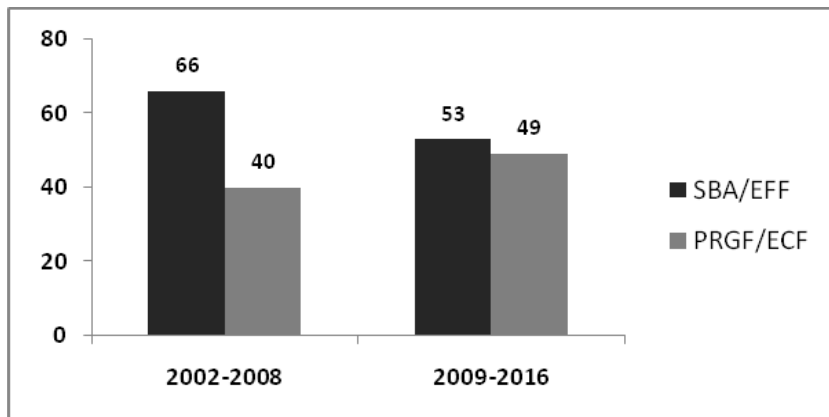


Figure 3 Structural Conditionalities in Top-25 SBAs/EFFs and PRGFs/ECFs Public and Corporate Governance [2002-2008 vs 2009-2016; n=100]

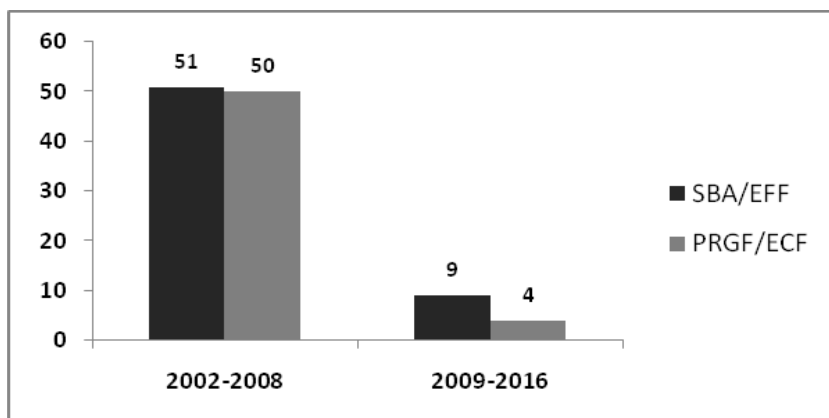
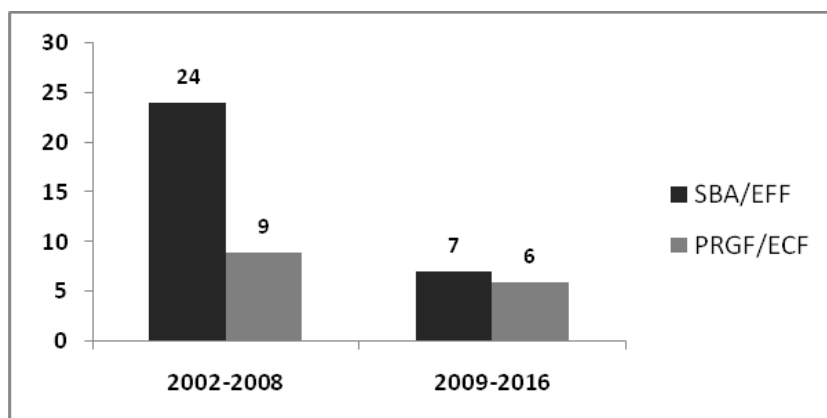


Figure 4 Structural Conditionality in Top-25 SBAs/EFFs and PRGFs/ECFs Social Policy [2002-2008 vs 2009-2016; n=100]



Whether this data could be interpreted as the Fund deliberately tightening policy reins in LICs makes an interesting question for future research. Given MICs often have better systems in place, the organisation may have identified a more pressing need for such reforms in poorer countries. Indeed some MICs already implemented extensive reforms in these areas: in the Dominican Republic and Ukraine pre-crisis arrangements carried noticeably more fiscal and financial conditions than post-crisis ones. Put differently, ‘domestic lock-in of structural reforms’ (Broome 2015: 18) may be stronger in nonconcessional clients.

The second and most striking finding is the collapse of the ‘public and corporate governance’ conditionalities. This category covers eight descriptors that overlap with the Bank’s GAC agenda, and was once nearly as visible as financial sector reforms. It is important to note that this finding should not be read as wholesale denunciation of the institutional reform agenda. The Fund is not reform-shy at all in ‘narrow institutions’, especially with regards fisco-financial norms. For example, fiscal transparency, a regular fixture of the Fund’s repertoire, has recently received considerably more attention.

Rather, the Fund is retreating from its promise of improving *broad institutions*. Amongst these, by far the most dramatic decline is in the sensitive area of anti-corruption. In the mid-2000s anti-corruption reforms were remarkably popular. From Colombia and Romania to numerous African borrowers including Cameroon, DR Congo, Kenya, Nigeria, Tanzania and Uganda, countries underwent an almost identical trajectory of IMF-led reform. The cycle typically began with the prescription of national anti-corruption surveys, to be followed by the crafting of an anti-corruption strategy and passage of relevant legislation, often culminating in the establishment of an anti-corruption authority. Yet corruption-related conditionality is now very rare, with Ukraine’s 2014 and 2015 programmes as the only major exceptions. This finding is consistent with the Fund’s own acknowledgement of a decline in reference to corruption in its country documents (IMF 2017: 63).

Third, there is also a decline in social policy-related conditions, although not of comparable magnitude. A more important finding is that the Fund’s uptake of the PWC’s social agenda had already been weak, especially in concessional loans. In fact, more than half the programmes in our pre-crisis sample had no structural conditions attached regarding social policy. Even in large SBAs, as in Argentina in 2003 and Brazil in 2002, the IMF was not keen to interfere directly with the objectives and design of pensions, health care and labour markets. It has grown even more reluctant to do so since the crisis.

This finding sheds important light on Fund practice in this domain. Although the organisation has recently tightened its commitment to social policy by adopting social

spending targets in its concessional loans (Clegg 2014), adherence to these targets has proved problematic as observed by Kentikelenis, Stubbs and King (2016: 20-22). Their explanation for this discrepancy is the Fund's escalated recourse to 'organised hypocrisy.' While this is a widely accepted dynamic for IFIs, our data supports the alternative insight that, even during the heyday of the PWC, policy norms pertaining to social development were not 'fully internalized by IMF staff' (Vetterlein 2010: 112). In contrast with the organisation's once earnest commitment to reforming broad institutions in its clients, its interest in the social component of the PWC had never amounted to a genuinely transformative ambition to appear with matching frequency in its structural conditionalities. This interest is now much weaker.

A DIMINISHED CONSENSUS: THE WORLD BANK BEFORE AND AFTER THE CRISIS

Like its Bretton Woods twin, the Bank too enjoyed a sharp increase in commitments after the crisis, from about \$20 billion per year in the mid-2000s to a high of \$60 billion in 2010, only to settle in the \$40-45 billion range in recent years (World Bank 2016: 62-63) — a healthy figure indicating sustained financial presence in the South. In contrast with the Fund, however, its post-crisis operations received little scholarly attention. The few pieces that have appeared suggest minimal, if any, change in the organisation's policy vision (Güven 2012a; Hall 2015). The Bank's independent evaluation unit concurs, stating that 'much of the new lending in response to the crisis reflected pre-crisis patterns' (IEG 2012: xii).

What is an effective way to assess the evolution of the policy content of Bank lending? Here I use the Bank's own *thematic* classification of its operations, which comprises eleven 'major themes' and, under these, 82 'themes'. For each approved project, up to five themes are assigned a percentage share to identify their financial weight in the loan. One problem with this classification is that thematic shares are often calculated at the Washington headquarters and do not necessarily reflect the understanding of staff at country offices who lead project design. As such, theme data should not be taken as a precise metric to analyse individual loans.³ However, given the massive sample size,⁴ this thematic categorisation provides a useful comparative basis to evaluate the broad direction of Bank support for a stupendous range of development objectives. It is therefore a highly meaningful aggregate measure. Endorsing the relevance of this methodology, the Bank's Annual Reports include comparative shares of each major theme in its IBRD-IDA lending as well as a thematic breakdown of commitments in its six main geographical regions.

Using data from Annual Reports (FY2002-2016), the analysis begins by comparing trends in the share of commitments to five major themes in two groups to trace the extent to which the PWC agenda is consolidated in Bank programmes. The major themes selected are emblematic of the PWC: 'Public sector governance' and 'rule of law' major themes contain numerous items that fit the PWC's good governance and institutions dimension. I group them as *governance*. The social policy dimension of the PWC, meanwhile, is amply represented in 'human development', 'social development, gender and inclusion', and 'social protection and risk management' major themes. They are grouped under *social sustainability*.

The findings indicate a clear pattern (Figures 5 and 6). The share of commitments to social sustainability themes has been steady since the early 2000s; as such, the social dimension of the PWC has been consolidated in Bank operations. By contrast, the governance reform agenda have fallen out of favour in relative terms (if not nominally, given the exponential postcrisis increase in Bank commitments). If the damage in this category does not appear as severe as it is in Fund lending, one might hypothesise that it is because the Bank's 'public sector governance' major theme also contains several distinctive narrow institutions items such as 'public expenditure' and 'tax policy' (more on this later).

Figure 5 Governance and Social Sustainability Themes in IBRD-IDA Lending (2002-2016) (Percentage share of total commitments)

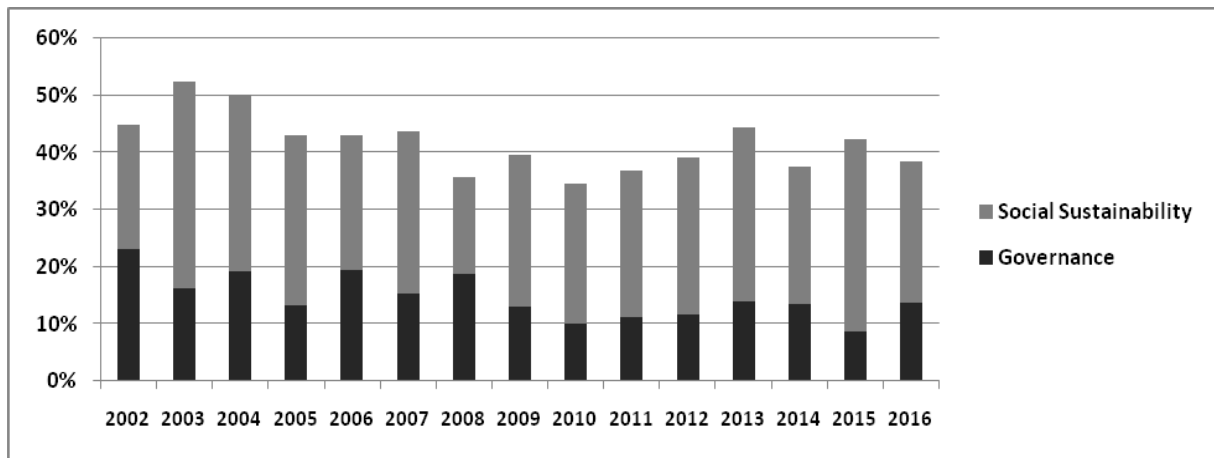
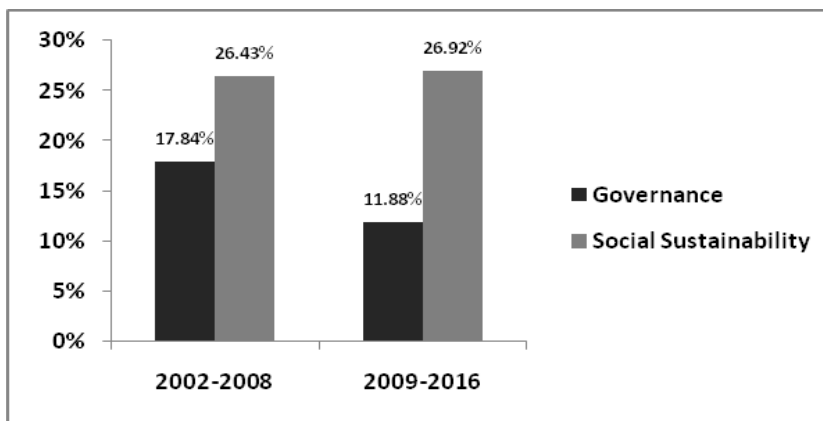


Figure 6 Governance and Social Sustainability Themes in IBRD-IDA Lending (2002-2008 vs 2009-2016) (Percentage share of total commitments)



In exploring Fund lending we distinguished between concessional (PRGF/ECF) and non-concessional (SBA/EFF) arrangements. This distinction is potentially more significant for the Bank given its client profile. Over the past decade most large MICs have explicitly avoided Fund facilities. By contrast large MICs continue to borrow heavily from the Bank, and remain crucial for its bottom line (Güven 2017a: 498). Could this constraint affect lending patterns? In particular, given governance reforms tend to be politically intrusive, should not the decline in this category be more pronounced in the sovereignty-conscious MICs less reliant on official loans? While no thematic data are provided in Annual Reports for IBRD *versus* IDA commitments, regional breakdowns furnish a fair approximation. Below, I compare *governance* and *social sustainability* themes in four regions: ‘Africa’ and ‘South Asia,’ where IDA lending is dominant, and ‘Latin America and Caribbean’ and ‘East Asia,’ where most loans are made by the IBRD on a non-concessional basis.

Figures 7 and 8 summarise the results, with puzzling regional variations. Although the relative weight of commitments to governance themes declined in all four regions, the slump was more pronounced in IDA-heavy Africa and South Asia than the IBRD-heavy Latin America and East Asia. This is counterintuitive as IDA countries tend to feature poorer

governance and lower institutional quality, which one might expect to either facilitate member demand for governance reforms or else provoke the Bank to promote such reforms with more determination. Meanwhile social sustainability themes appear healthy everywhere, with a considerable climb in Latin America, owing arguably to regional attitudes. Elsewhere the themes that comprise this category account for 25-30 percent of commitments. And although the slight decline in the share of such concerns in Africa and South Asia seems curious, there was indeed a significant nominal increase in commitments to social themes in both regions given the sharp increase in the volume of Bank lending during this period.

Figure 7 Governance Themes in IBRD-IDA Lending in Selected Regions (2002-2008 vs 2009-2016) (Percentage share of total commitments)

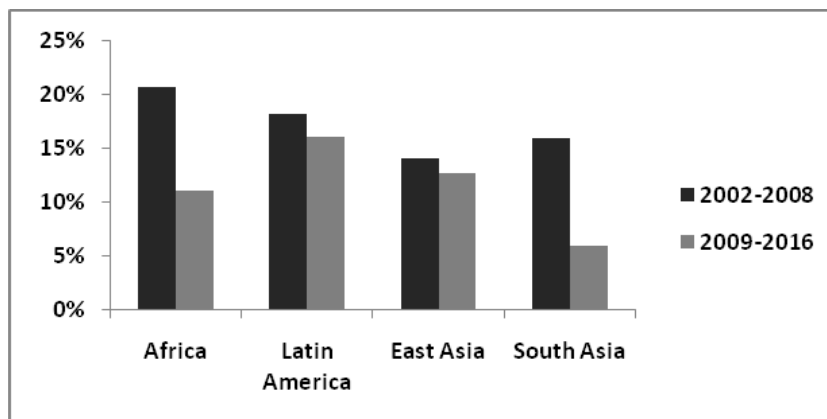
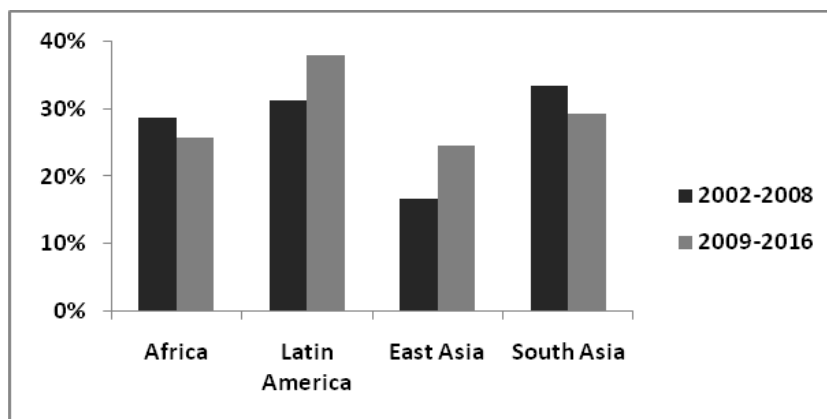


Figure 8 Social Sustainability Themes in IBRD-IDA Lending in Selected Regions (2002-2008 vs 2009-2016) (Percentage share of total commitments)



A crucial question given our findings on the IMF is whether the decline in commitments to governance themes in World Bank operations too applies differently to ‘narrow’ versus ‘broad’ institutions. Fortunately the Bank’s project database includes data on individual themes that comprise major themes, which in turn allows us to distinguish between the two categories. Themes that reflect *narrow institutions* are sprinkled across several major themes, and include items that range from tax policy to municipal governance and rural institutions. Meanwhile *broad institutions* are represented in themes such as administrative reform, anti-corruption, property rights, and legal institutions. By examining how frequently

these narrow and broad institutional categories feature in commitments in different regions before and after the crisis, we can perform a *prevalence analysis* in relation to Bank lending — in the same vein as our analysis of Fund lending based on MONA data. Themes selected for this exercise are listed in Appendix B.

Figure 9 ‘Narrow Institutions’ Themes per Project in IBRD-IDA Lending in Selected Regions (2002-2008 vs 2009-2016)

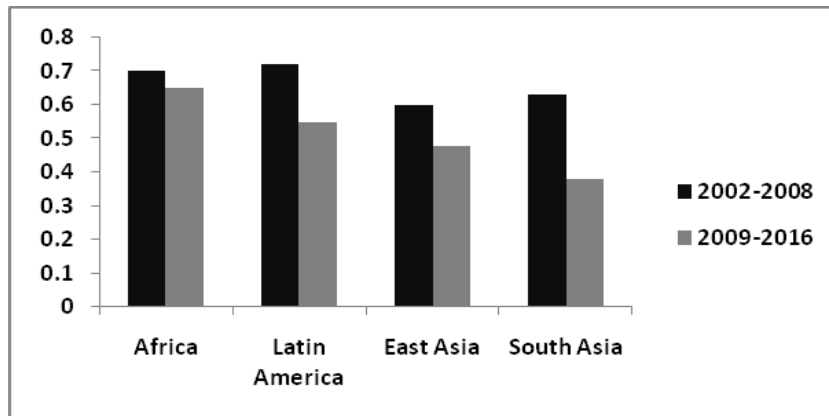
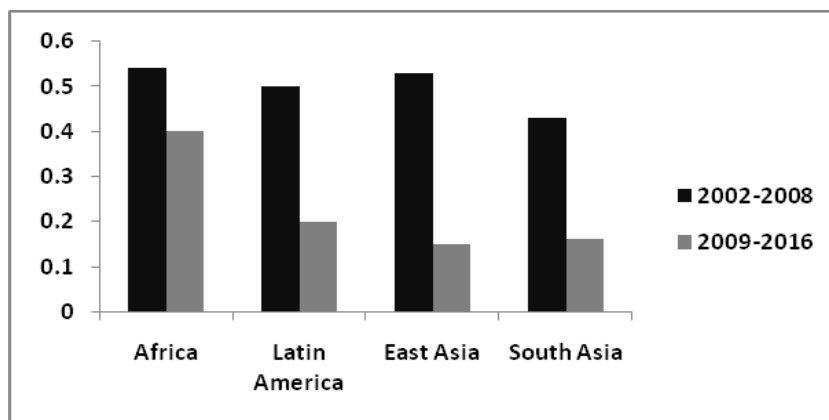


Figure 10 ‘Broad Institutions’ Themes per Project in IBRD-IDA Lending in Selected Regions (2002-2008 vs 2009-2016)



Three points can be made in light of this data (Figures 9 and 10).⁵ First, consistent with trends in Fund lending, in Bank projects as well, it is the *broad institutions* category that has lost its appeal. The decline was most prominent in East Asia, where only 15 percent of post-crisis programmes have had any such content compared to more than half before the crisis. As such, there is no escaping the conclusion that the good governance agenda is in structural decline. Second, while there is also a decline in the frequency with which ‘narrow institutions’ appear in Bank projects, this focus on distinct policy and institutional domains remains alive, especially in environmental policies, municipal governance, public expenditure regimes, and rural institutions. Third, there are interesting regional contrasts in the relative weight versus the frequency of governance loans. Note in particular that while the relative weight of commitments to governance themes has declined far more sharply in Africa than in East Asia (Figure 7), the decline in the frequency of ‘broad institutions’ themes is more

dramatic in the latter (Figure 10). Put differently, broad institutional reforms remain relatively popular in Africa; however, they do not receive as much funding, and claim smaller chunks of numerous projects. By contrast, such reforms claim bigger chunks of fewer projects in East Asia, indicating a specialised, possibly country-specific, focus. This would be consistent with the Bank's business model that requires a more client-oriented approach than the Fund, especially in regions heavily populated by MICs.

FROM OPERATIONAL CONSTRAINTS TO DISCRETIONARY PRACTICE: TOWARDS A NEW REGIME OF INTERNATIONAL DEVELOPMENT

Since the global crisis, the IMF has de-emphasised the distinctive content of the PWC agenda with the exception of narrow institutional reforms in domains that reflect its core competences, that is, fiscal and financial restructuring. Not only does it no longer aspire to improve broad institutions across its Southern borrowers via policy conditionality, but its already reluctant involvement in the design of social policies has further attenuated. By contrast, the social dimension of the PWC remains entrenched at the World Bank, which consistently allocates more than a quarter of its total commitments to human development, social inclusion, and basic protection projects. Yet in Bank lending, too, the focus on broad institutions has subsided. The good governance agenda is facing a generalised decline.

How are we to explain and understand these patterns? Previous sections have demonstrated that the PWC norms in decline today had already encountered severe internal and external constraints and were thus only partially stabilised. Drawing on secondary literature, official documents, and interviews with Fund and Bank staff, this section argues that operational imperatives over the past decade have evolved to intensify these extant constraints, to the point where the already weakly internalised elements of the PWC could no longer continue as inbuilt components of lending practice. Far from signalling a new paradigm shift, however, this selective disengagement from the PWC illustrates the Fund and Bank's quest for operational flexibility in a structurally transformed lending environment.

Before explicating this argument, let us briefly consider two alternative explanations. Often following principal-agent models, the rationalist scholarship on the IFIs draws attention to shareholder preferences, especially of the largest Northern shareholders such as the US (Stone 2004; Hawkins et al. 2006). Yet such preferences do not appear to be directly significant in this case. The rise of the PWC was at best loosely aligned with the interests of powerful members. Meanwhile recent voice reforms yielded minimal change in representation across membership (Vestergaard and Wade 2015). Any overlap between the lending patterns unveiled here and shareholder preferences would be indirect or coincidental, e.g. mediated through changes in lending instruments or targets (Clegg 2014).

Likewise, the ailing fortunes of the PWC cannot be explained with an unambiguous ideational shift within. Persistent management and staff recognition of the good governance agenda is case in point. As an IMF mission head who led a governance-heavy programme in the mid-2000s insists, Fund staff never doubt 'conditions [that] sound governance-related...are indeed central to the IMF's economic policy concerns.'⁶ The ongoing review of the 1997 'Guidance Note on the Role of the Fund in Governance Issues' also indicates top-level commitment especially to the anti-corruption strategy (IMF 2017; cf. IMF 2016). The good governance agenda retains wide support at the Bank as well. When the organisation underwent a round of controversial restructuring in 2013-14, the Governance Global Practice emerged as one of its stronger arms, employing about 700 specialists. In fact, as testimony to the Bank's ongoing commitment, the 2017 World Development Report was dedicated to

‘Governance and the Law’ (World Bank 2017). Note also that broad institutions remain a core theme amongst leading development economist (e.g. Acemoglu and Robinson 2012).

If shareholder and ideational preferences cannot explain the receding content of the PWC, what can? A two-step analysis centred on operational imperatives provides strong causal insight: First, constraints that culminated in the weak internalisation of some PWC components have persisted; original challenges of *exploration* and *layering* were never fully resolved. Second, new internal and external imperatives have emerged to further undermine the viability of the onerous elements of the agenda, to finally catalyse their partial decline.

Internally, despite continued shared belief amongst staff and management in the centrality of ‘broad institutions’ for organisational mandates, reservations concerning operational feasibility remain strong, and have been reinforced by a barrage of real-world evidence. As a Fund executive who served as a regional deputy director throughout the 2000s puts it, ‘we know we cannot make countries better unless we deal with deep causes, but then the list grows and grows — *and that became a problem.*’⁷ A prime example of this internal discomfort is the 2008 report on long-term Fund engagement in Kenya, which reproached the organisation’s strategy for having been ‘dominated by governance concerns’ and for eventually becoming ‘bogged down’ amidst accusations of ‘mission creep through the extension of conditionality outside the Fund’s area of expertise’ (IMF 2008: 40–41). Given the short-term focus of most Fund facilities, the effectiveness of aiming to instigate structural change from outside has also been questioned: ‘Where corruption is embedded in the political economy...progress can be slow, even with extensive conditionality’ (IMF 2017: 46). At the Bank, too, internal assessment of institutional reform programmes signalled poor outcomes (IEG 2006) and identified bottlenecks in implementation (as later research extensively documented; Güven 2012b; O’Meally 2014). These operational hardships facing the ‘broad institutions’ agenda have prompted renewed emphasis on mainstreaming governance themes, as reflected in the creation of a donor-driven Governance Partnership Facility in 2008 and the 2012 strategy update following persistent internal criticism (IEG 2011; World Bank 2012).

Recent changes in lending framework and instruments have also worked against the receding elements of the PWC. Chief amongst them on the Fund side was the discontinuation in 2009 of structural performance criteria (SPC), the most stringent form of *ex post* conditionality. Building on mounting internal attacks (IEO 2007), the move discouraged extensive reliance on structural conditions that had provided the core means to push through PWC-style reforms. At the same time, adoption of social spending targets in concessional lending (Clegg 2014) enabled the organisation to signal its commitment to social sustainability without becoming enmeshed in the intricacies of policy design through conditionality. The general direction of shift in recent years has been against top-down structural reform and towards according borrowers greater leeway in programme design, as exemplified most clearly in the replacement of PRSPs with an Economic Development Document (EDD), for which borrowers can nominate existing national development plans. Changes in the Bank’s lending architecture, though less dramatic, also fit this trend. In the same spirit as the EDD, for example, the Bank’s new Program-for Results (PforR) funds existing government programmes (Cormier 2016). And in a move that echoes an increasingly discretionary approach to the governance agenda, the latest review of the PforR called for easing the anti-corruption guidelines for the scheme, whose ‘current articulation...has made them a point of unnecessary contention for many borrowers’ (World Bank-OPCS 2015: vi). None of these revisions to lending framework explicitly aim to undermine the PWC, but they indicate an internal operational environment less amenable to its already contested elements.

These internal changes are often reflective of, and at times direct responses to, wide-ranging external imperatives rooted in the transformations taking place in the international development regime (Babb and Chorev 2016; Harman and Williams 2014). The core

dynamic here is the accelerated rise of ‘emerging powers’, which challenges the extant architecture of international development by fostering new avenues of South-South cooperation, thereby offering new sources of development finance, and fuels a heightened sense of policy sovereignty, thereby engendering an increasingly critical attitude towards the twins’ policy intrusions in the South (Güven 2017b; Mawdsley 2017; Prizzon et al. 2017).

These trends not only reinforce pre-existing external constraints, but introduce new ones as well. That most borrowers, especially large MICs, displayed an aversion to top-down governance reforms has already been mentioned. As a WDR background paper notes, the governance agenda generated significant ‘pushback from developing countries’ (Lateef 2016: 29). There is no indication this resistance to externally-imposed institutional reforms is subsiding. To the contrary, most governments are keen to use their enhanced options to exercise control over their exposure to the IFIs’ wide repertoire. Case in point is the evolving relationship between the Bank and its ‘emerging power’ borrowers, which exert ever increased autonomy to access funds in line with their strategic priorities (Güven 2017a). It is no surprise that politically controversial and administratively onerous broad institutional reforms do not receive much demand in this new context. But even in the supposedly well-entrenched agenda of social sustainability, greater selectivity is at work. According to a senior human development specialist at a major country office, for instance, topics such as gender and education have been increasingly classified as ‘taboo’ by the member government for they are deemed culturally sensitive and require a long-term strategy. Bank funding to human development in this client has shifted to health and labour market policy, positive outcomes of which are readily demonstrable in the span of a typical electoral cycle.⁸

Even when countries are formally bound by PWC norms, implementation is varied and enforcement often problematic. The Fund’s imposition of governance-related conditionalities is known to noticeably vary across borrowers, which raises ‘questions about evenhandedness’ (IMF 2017: 46). The Bank also suffers from arbitrary implementation of its governance safeguards. For example, since the 2012 strategy update, all projects are required to submit a GAC analysis. In practice, however, how this condition is met depends on the ‘understanding’ between the country directorship and the client government. As a governance specialist at a large country office reveals, it is not uncommon for the GAC analysis to be diluted significantly and ‘reduced to a tick-box exercise’.⁹ This ‘structural context of power between the Bank and the country’ also determines the prominence of governance themes in a client’s portfolio. Whereas volume borrowers can afford to sidetrack the agenda, avoiding unpalatable exposure of their institutional weaknesses by a major IO, the Bank can push governance issues more freely in smaller clients.¹⁰ Empirical findings in Figure 10 are consistent with this observation, with ‘broad institutions’ themes receiving twice as much reference per project in Africa than elsewhere. Growing power asymmetries in the South reduces the consistent application of good governance criteria to a fantasy.

That the partial decline of the PWC was driven by operational imperatives (and not by ideational shifts or major shareholder interests) is important for understanding its wider implications. Do current patterns signify a ‘paradigm contraction’ and thus a potential return to Washington Consensus, or do they herald the forging of a new, different consensus? Neither. Although the Fund’s focus retreated towards areas of its core expertise, this ‘back to basics’ approach (Broome 2015) is hardly a simple reinstatement of orthodox neoliberalism given its reformed views on fiscal stimulus, capital controls, and social spending. At the Bank, meanwhile, the only lending direction clearly on the rise today is the infrastructure-driven, capital-fundamentalist national developmentalism of the postwar decades, with the organisation countering Chinese threats to its business (the Asian Infrastructure Investment Bank and the New Development Bank) via both collaborations with these new players and novel initiatives such as the Global Infrastructure Facility (GIF). This renewed focus is bound

to divert resources further away from characteristic PWC themes and may also induce relaxation of environmental and governance safeguards, yet by itself it does not amount to the type of cohesive policy paradigm Washington Consensus represented (Babb 2013).

What, then, should we make of the partial decline of the PWC? It is tempting to characterise the gap between the IFIs' strong rhetorical commitment *versus* weak policy implementation regarding some PWC norms as another instance of 'organised hypocrisy' (Weaver 2008). Yet there is an important nuance: Neither ideationally dismissed nor fully abandoned on the ground, the PWC elements in decline are routinely practised with reasonable sincerity as part of the Fund and Bank's wide repertoire. The difference with the heyday of the PWC is that their application is now increasingly discretionary, and dependent on borrower demand — especially in volume borrowers: Ukraine's 2014-15 EFFs were rich in anti-corruption conditionality *because* Ukrainian officials demanded so (IMF 2017: 42); Brazil borrows heavily from the Bank towards governance reforms *because* the federal government uses DPLs to push disciplinary fiscal and administrative reforms in sub-national governments (World Bank 2011: 12).

Seen this way, the partial decline of the PWC constitutes an important change not in policy *paradigm* but in policy *practice*. While unavoidably containing a degree of hypocrisy, the IFIs' preference for diversity and discretion over uniformity and coercive diffusion makes more sense when understood in terms of 'bureaucratic ambiguity' (Best 2012a; 2012b). Encountering systemic shifts in their operational environment, the Fund and Bank are exchanging normative certitude about some arduous components of their repertoire for greater flexibility on the ground: whether or not *governance matters* is uncertain until they hit the ground in a client. While their earlier practice also employed ambiguity and uncertainty,¹¹ the gains from discretion and selectivity this time around are of a different order. The policy content of the PWC agenda is so comprehensive that, when implemented 'on demand' and by paying careful attention to requisite competence, it tremendously expands the range of developmental 'problems' and country contexts towards which the Fund and Bank can feasibly make loans without being seen as selfish, paternalistic overseers. At a time when conventional patterns of North-South development cooperation are facing greater scrutiny, this steady steering of their policy practice away from dogged standardisation and towards flexible applications of their wide repertoire has good adaptive value for the twins.

CONCLUSION

The PWC marked a paradigm expansion that complemented the market-orientation of orthodox neoliberalism with a novel focus on the socio-political dimension of development. Yet the broad and arduous reform agenda it advanced proved inherently susceptible to severe internal and external operational constraints. Amidst shifts in lending framework and more crucially in the wider context of international development, these constraints have forced a selective, organisation- and borrower-specific disengagement from the PWC in Fund and Bank programmes over the past decade. Far from a paradigm shift, however, this partial retreat represents an adjustment in policy practice towards greater flexibility and discretion. These findings have implications for the scholarship on the Fund and Bank; they also highlight signs of change in the parameters of North-South development cooperation.

Theoretically the main contribution of the paper is to recognise *operational imperatives* as important drivers of IFI practice. This vantage point offers an effective way of bridging the rationalist-constructivist divide in IO theory by invoking variables from both camps. In the context of the present analysis, it calls for sharpening our understanding of two specific phenomena. First, the article has drawn attention to shifts in the lending environment.

There is already emergent interest from both rationalist and constructivist scholars on the IFIs' wider operational environment (Lipsky 2015; Moschella and Vetterlein 2014), but the focus must be extended methodically towards borrower diversity and preferences, which arguably constitutes the most significant external constraint facing the twins today. Yet while borrower influence is routinely mentioned (e.g. Woods 2006: 4; Park 2010; Güven 2017a), we need more empirical and theoretical work to help classify different mechanisms of such influence and explain precisely how borrowers shape lending practice.

Second, the analysis calls for more attention to discrepancy and ambiguity in IFI practice by offering clear evidence of pervasive reliance on these phenomena in recent Fund and Bank programmes. Constructivist research has already made crucial advances to that end (Best 2012a; 2012b; Weaver 2008), but the focus must be broadened to a wider range of everyday practice. Doing so, however, requires abandoning rigid assumptions of consistency in IFI behaviour that often characterizes research on 'policy change' and continuity (cf. Moschella and Vetterlein 2014). Analysis must be open to instances of unintended, partial and inconsistent forms of change, examples of which have been provided in abundance in this paper (e.g. contrasting fortunes of broad *versus* narrow institutions in different types of borrowers, or seemingly innocuous adjustments in lending framework instigating substantive changes in the strength of commitment across different policy domains).

Finally, while tracing the trajectory of the PWC, this analysis has contributed to the scholarship on the contemporary shifts taking place in international development (Babb and Chorev 2016; Harman and Williams 2014; Mawdsley 2017). These shifts clearly undermine the ideational appeal of and constrain the operational space for grand development paradigms of the kind the PWC has epitomised — a panoply of policy and institutional norms concocted in the North and dispensed from above across vastly different country contexts by Northern organisations via conditional lending. Any genuinely feasible North-South development cooperation today would require firmly abandoning such antiquated modes of coercive diffusion. Given their discreet quest for flexibility as evidenced in this research, the Fund and Bank appear to implicitly understand this constraint. Whether quiet adaptations of this sort will suffice to preserve the twins' viability in the global system will depend not only on how such initiatives will be received by their conventional borrowers, but also on the expansion strategies of emergent South-led institutions of development cooperation.

NOTES

¹ SDR (special drawing rights) is IMF currency; at the time of writing (Aug 2017) 1 SDR equals 1.41 US\$. IMF financial year (FY) runs from 1 May to 30 April (e.g. FY2017 runs from 1 May 2016 to 30 April 2017).

² MONA is available at <https://www.imf.org/external/np/pdr/mona/index.aspx>.

³ Interview with World Bank Country Director, 25 July 2012.

⁴ Currently there are more than 10,000 IBRD-IDA projects listed in the World Bank's project database. See <http://projects.worldbank.org/advancedsearch?lang=en> (accessed 31 August 2017).

⁵ Note the difference in the types of data presented in Figures 5 through 8 versus in Figures 9 and 10. The former compare the volume of commitments to major themes in relation to total volume of Bank commitments in each region to determine relative trends, whereas the latter indicate the frequency with which individual themes appear in Bank projects.

⁶ Interview with former IMF mission head, 12 May 2016.

⁷ Interview with former IMF regional deputy director, 9 August 2016; emphasis added.

⁸ Interview with World Bank senior human development specialist at country office, 3 December 2015.

⁹ Interview with World Bank governance specialist at country office, 9 June 2016.

¹⁰ Ibid.

¹¹ Best (2012a; 2012b) considers ambiguity a key mechanism in the development of Bank's good governance agenda and in the long-term evolution of the Fund's conditionality practice.

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APPENDIX A

Selected Categories of PWC-Related IMF Structural Conditionalities Based on MONA Economic Codes/Economic Descriptors

Fiscal and Monetary Restructuring	<p>7.1 Revenues 7.2 Expenditures 7.3 Treasury system 10.2 Central Bank reform 20.1 / 1.1 Revenue measures, excluding trade policy 20.2 / 1.2 Revenue administration, including customs 20.6 / 1.6 Expenditure auditing, accounting and financial controls 20.7 / 1.7 Fiscal transparency (publication, parliamentary oversight) 21.1 / 2.1 Central bank operations and reforms 21.2 / 2.2 Central bank auditing transparency and financial controls</p>
Financial Policy and Reform	<p>10.1 Bank regulation and supervision 10.3 Financial legal reforms 25.1 / 6.1 Financial sector legal reforms, regulation and supervision</p>
Public and Corporate Governance	<p>7.6 Civil service reform 7.7 Inter-governmental relations 7.8 Governance 14.1 Corporate restructuring 14.2 Legal and regulatory framework 14.3 Transparency 20.9 / 1.9 Inter-governmental relations 30.1 / 11.1 Private sector legal and regulatory environment reform (non-financial sector) 30.4 / 11.4 Anti-corruption legislation/policy</p>
Social Policy	<p>8.1 Pension reform 8.2 Health sector 8.3 Education sector 8.4 Social welfare 9 Social safety net 12 Labor market 14.4 PRSP development & implementation 23.1 / 4.1 Pension reforms 23.2 / 4.2 Other social sector reforms (e.g. social safety nets, health and education) 28 / 9 Labor markets, excluding public sector employment 30.3 / 11.3 PRSP development and implementation</p>

APPENDIX B

Selected 'Narrow Institutions' vs 'Broad Institutions' Themes in IBRD-IDA Projects (Figures 9 and 10)

'Narrow institutions' themes

- Corporate governance
- Environmental policies and institutions
- International financial architecture
- International financial standards and systems
- Municipal governance and institutions building
- Public expenditure, financial management and procurement
- Regulation and competition policy
- Rural policies and institutions
- Tax policy and administration

'Broad institutions' themes

- Access to law and justice
- Administrative and civil service reform
- Decentralization
- Judicial and other dispute resolution mechanisms
- Law reform
- Legal institutions for a market economy
- Legal services
- Other accountability/anti-corruption
- Other public sector governance
- Other rule of law
- Personal and property rights