Cooperation or Clashes on 19th Street? Theorizing and Assessing IMF and World Bank Collaboration

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Conventional wisdom holds that the World Bank and the International Monetary Fund function as “Bretton Woods twins,” working effectively together to maintain and extend the contemporary global economic order. A historical overview of IMF–World Bank relations reveals that the bank and fund are more aptly characterized as sibling rivals, characterized in part by low-quality collaboration. Despite this trend, formal collaboration continues to increase and intensify between the IMF and World Bank. Informed by a theoretical framework that gives organizational culture purposive value in the study of international organizations, this article tests how distant cultural proximity and low inter-organizational trust undermine high-quality collaborative work between the two institutions.

Introduction
The International Monetary Fund (IMF) and World Bank are perceived broadly as highly cooperative institutions characterized by a shared worldview that champions liberal market macroeconomic policy and development. Upon cursory analysis, this is a reasonable assertion. The “twin sisters” of Bretton Woods, formed nearly seven decades ago to resurrect and manage the post–World War II global economic order, have worked in tandem on a broad series of initiatives. Concrete collaborative efforts take many forms, including coordination of joint annual meetings, participation in the IMF–World Bank Development Committee, and joint staff work on low-income country initiatives. In addition, both organizations’ articles of agreement mandate the two organizations “shall cooperate” with other international organizations “having specialized responsibilities in related fields.”

World Bank and IMF collaboration during the controversial Washington Consensus period also reinforced notions of a seamless relationship between the Bretton Woods twins. As a Financial Times journalist described it, the two institutions were broadly perceived as “twin faces of the hydra-headed monster of the ‘Washington Consensus’ dedicated to the defense of global capitalism and oppression of the poor” (Crooks 2002).

Far from monolithic “neoliberal” clones, the Bretton Woods twins are more accurately described as rival siblings, each characterized by a distinct organizational culture that impacts collaborative efforts. Given the power and influence of these institutions, ineffective collaborative work can produce serious problems for member states, particularly low income countries (LICs). Studies show that when the IMF and World Bank communicate mixed signals to its members, this can lead to conflicting demands and advice, strains on borrowers’ bureaucratic capacity, and duplication of conditionality, all of which generally have a negative effect on borrowers (Feinberg 1988; Bradlow and Grossman 1995; Easterly 2002; Dreher 2009). Ineffective collaboration also increases the leverage of country authorities disinterested in undertaking difficult macroeconomic and structural reforms.

1. See IMF Articles of Agreement, Article X and World Bank Articles of Agreement, Article X, Section 8a.
A series of initiatives adopted by the IMF and World Bank since the late 1990s have increased the IMF–World Bank collaborative demands. Both the Poverty Reduction Strategy (PRS) initiative and Financial Sector Assessment Programs (FSAP) require joint IMF–World Bank work. Kicked off in 2007 and reviewed in 2010, the Joint Management Action Plan (JMAP) also has developed a series of specific procedural reforms to further tighten inter-institutional coordination. A worst case scenario that could emerge in the early twenty-first century therefore involves increased episodes of poor quality IMF–World Bank collaboration with serious detrimental macroeconomic and development effects. This article is normatively driven by the goal to avoid this scenario and instead enhance high-quality IMF–World Bank collaboration.

As such, we build off the nascent IO literature focused specifically on IMF–World Bank collaboration (Fabricus 2007; Marchesi and Sirtori 2011, 2015). The quantitative work of Marchesi and Sirtori (2011) establishes the impact of IMF–World Bank interaction on economic growth. Using panel data of 128 developing states from 1982–2005, they find that when the IMF or World Bank works alone in a country, per capita GDP growth rates do not increase. In contrast, countries with simultaneous IMF and World Bank programs show a significant and positive relationship with economic expansion. Fabricus (2007) operationalizes cooperation between the two institutions as the ability of staff to adopt and maintain consistent policies when engaged with recipient states. Based on data drawn from field research on four cases (Ghana, Pakistan, Peru, and Vietnam), the study finds that cooperation between IMF and the World Bank staff is enhanced when the institutions clearly establish and respect boundaries on each other’s operations (the so-called “domain consensus”) and when they operate in similar organizational styles. Marchesi and Sirtori (2015), drawing from Fabricus’ conception of domain consensus, demonstrate that decreased competition due to clear division of labor and increased knowledge sharing enhance the positive effects of IMF–World Bank simultaneous lending on economic growth.

Marchesi, Sirtori, and Fabricus provide an important foundation for the study of IMF and World Bank collaboration. However, their contributions also contain theoretical and empirical limitations. Fabricus defines collaboration as simply the ability of IMF and World Bank staff to maintain consistent policy positions when in negotiation with third parties. We, instead, argue for an operationalization of collaboration that broadens the concept and also delineates between high-quality and low-quality collaboration. We define high-quality collaboration as IMF–World Bank coordinated work that maximizes institutional comparative advantage to address macroeconomic and development needs of member states, enhances effective coordination on country issues, and supports creative problem solving. Second, Marchesi and Sirtori employ the interaction effect between IMF and World Bank loans on growth as a proxy for IMF–World Bank collaboration, arguing that “ceteris paribus, these institutions are more likely to cooperate when they are simultaneously involved with the same country” (Marchesi and Sirtori 2011: 299). While possible, effective collaboration is not simply a de facto result of more interaction. This framing of collaboration is representative of a broader underdeveloped understanding of micro-dynamics at play in IMF–World Bank joint work. In response, we maintain a more in-depth analysis focused on organizational culture and interpersonal dynamics between IMF and World Bank staff is necessary to elucidate what factors produce high-quality versus low-quality collaboration.

Our analysis of IMF–World Bank collaboration, therefore, draws from the growing body of IMF and World Bank literature that fuses components of constructivism and organizational theory. This literature focuses on the internal workings of international organizations and lends itself to “fine grained” ethnographic and historical process tracing methodology. We argue, however, that a theoretical supplement is needed that specifically engages with our focus on inter-organizational collaborative dynamics. Drawing on concepts found in the business management literature, we hypothesize that cultural dissonance due to differences in organizational
“sociability” and “solidarity” impedes high-quality collaborative efforts between the two institutions. We posit that this dynamic is further reinforced by low inter-organizational trust and poor knowledge-sharing mechanisms. We test our hypotheses through evidence drawn from semi-structured interviews of IMF and World Bank staff involved in collaborative work in the Democratic Republic of Congo, Ghana, Guinea Bissau, Liberia, Mozambique, and Tanzania. This is supplemented by content analysis of IMF and World Bank policy documents and IMF and World Bank surveys of staff on questions of collaboration.

This article proceeds as follows. In the first section, we provide a historical overview of IMF–World Bank collaboration. In the second section, we draw from the constructivist and management literature and develop hypotheses that test what factors undermine high-quality collaboration. In the third section, we test our hypotheses. We summarize our major findings in the conclusion as follows. First, staff from both institutions highlight the importance of collaboration and point to cases where poor collaboration produced subsequently worse macroeconomic and development outcomes in member states. Interviewees also reported that cases of effective collaboration maximized institutional comparative advantage and facilitated creative problem solving on joint projects. Second, differences in organizational culture undermine high-quality collaboration in multiple areas. These include levels of efficiency in decision making, timeliness of reports, and shifts in policy positions during collaborative processes. Third, dynamics that produce distrust and undermine high-quality collaboration between IMF and World Bank staff are derived primarily from the differences in institutional mandates and business models rather than personal or professional bias. Fourth, trust building and the subsequent quality of collaborative work is enhanced primarily on an ad hoc and informal basis. And fifth, as witnessed by the 2009 reform of the FSAP program, which clearly divided IMF and World Bank responsibilities, clarity in institutional roles enhances efficiency in joint work. Less interaction between IMF and World Bank staff due to clear delineation of institutional responsibilities has not undermined the quality of collaborative work.

**IMF–World Bank Collaboration: Historical Overview**

When created in 1944, the operational lines between the two Bretton Woods organizations were clear. The fund focused on short-term balance of payments lending and managed the Bretton Woods fixed exchange rate system. The bank secured financing for reconstruction and development projects. The Bretton Woods framers also envisioned a strong presence of the institution in industrialized economies in the post-World War II era. This notion was quickly undermined by U.S. efforts to directly oversee the reconstruction of Europe through the Marshall Plan and limit World Bank involvement. A focus on industrialized states was further eroded in 1960 with the formation of the International Development Agency (IDA) within the World Bank Group. The IDA dealt specifically with the needs of poorer states and catalyzed a sharp increase in institutional attention on the developing world. By the early 1970s, less than 10 percent of total bank lending went to upper-income states (Kapur et al., 1997: 139–40). The IMF followed a similar trajectory toward developing states during this period. Starting in the 1950s, decolonization movements and Cold War political pressures resulted in an increase in institutional presence in developing states, particularly in Latin America. By the late 1960s, various fund programs focused on poor states were created, including the IMF Institute, the Central Banking Service, and the Bureau of Statistics (Barnett and Finnemore 2004: 60–61).

As both the fund and bank focused their resources and attention on poor states, tensions between the institutions increased. A series of bank loans in Latin America and Asia in the early- and mid-1960s, for example, included conditions on exchange rate policies and macroeconomic initiatives. IMF complaints of bank mission creep into its area of expertise led to a formal agreement in 1966, which spelled out their respective primary responsibilities.

2. Interviews used in this article took place at IMF headquarters in 2011 and 2012 and IMF and World Bank headquarters in 2014.
While the 1966 agreement produced a brief period of clarity in regard to institutional responsibilities, a series of events in the 1970s and 1980s once again blurred these lines. In 1973, with the breakdown of the Bretton Woods fixed exchange rate system, a primary component of the IMF’s original institutional mandate was eliminated. A focus on chronic balance of payments issues in developing states helped fill this vacuum. In 1974, the fund created the Extended Fund Facility (EFF), its first concessional lending program designed to fill the gap between short-term IMF financing and long-term World Bank development aid in poor states. EFF loans included structural conditionality stipulations that pushed for substantial reform in national economies and their legal systems and linked these reforms to broader issues of development (Chorev and Babb 2009: 465).

An emphasis on structural reform was also formalized in the World Bank in 1980 with the introduction of Structural Adjustment Loans (SALs). In a radical shift for the bank, SALs expanded the scope of its institutional mission beyond discrete development projects. Stipulations for economic liberalization and policy reforms to improve balance of payment positions were tied into development lending. The bank’s creation of Sectoral Adjustment Loans (SECALs) in 1983 reinforced this trend. SECALs included conditionality requirements that pressured recipient states to liberalize and privatize specific sectors of their economies (Weinberg, 1988: 549).

Fallout of the 1982 Mexican Debt Crisis further eroded institutional boundaries and pushed IMF and World Bank collaboration into unprecedented territory. From 1982 to 1985, the fund pushed poor states to implement a series of stabilization measures to battle severe inflation and balance of payment deficits common at this time. Following three years of severe recession across much of the global south, U.S. Treasury Secretary James Baker III unveiled the Baker Plan. For Baker, a return of private and multilateral lending to poor states required that they implement deep and broad structural reforms in order to facilitate liberal market development coordinated through IMF and World Bank collaboration. At the IMF, U.S. Executive Director Charles Dallara pushed the Baker Plan before the board, noting that any new facility should be “consistent with, but more specific on structural adjustment than the Fund’s usual Article IV,” and “should be developed and negotiated jointly by the Fund and Bank, and the member country” (IMF 1985: 39 as cited by Boughton 2001: 647).

Negotiations within IMF concerning its 1986 adoption of the Structural Adjustment Facility (SAF) highlight the unease IMF staff had in developing more formal coordination with the World Bank. Fund staff argued against strict fund-bank collaboration, concerned in part that “different working styles and requirements of the institutions” would make implementation difficult (Ibid.: 650–51). Staff instead pushed for a looser framework of collaboration between the fund and bank supported by the Japanese, British, and German executive directors (IMF, 1986a: 8, 9–11, 20). Poorer states also were concerned with issues of cross conditionality and pushed against formal bank-fund collaboration. In response to these concerns, IMF Managing Director Jacques de Larosière (1978–87) proposed a compromise Policy Framework Paper (PFP) as the guiding document for SAF implementation. De Larosière argued that the PFP “should not be overly precise” and would preserve the fund and bank’s “respective mandates and expertise” in coordinating the implementation of the new facility (IMF 1986b: 42). The PFP would also be employed in the fund’s Enhanced Structural Adjustment Facility (ESAF).

As noted by Boughton, increased negotiations between the two institutions on how to manage demands for coordinated policy response during the 1980s should not be interpreted as proactive attempts to increase and deepen collaboration. At its best, it instead kept the staff from the two institutions from “tripping over each other’s feet when they were responding to the same fire alarms” (Boughton 2001: 1003). At its worst, lack of communication and turf war tensions between the institutions periodically boiled over into public spats. This was most pronounced in 1988 when disagreements between the IMF and World Bank staff on lending requirements to Argentina made headlines. In this case, bank staff argued that their IMF
counterparts were unnecessarily stipulating severe financial austerity in loan negotiations that would undermine the bank’s ability to implement a series of structural reforms. Rather than resolve the issue with IMF staff, the bank forged ahead with loans that specifically outlined macroeconomic policies that the Argentineans were to implement. For fund staff and management, this constituted an egregious violation of the 1966 agreement giving the IMF priority over macroeconomic affairs and led to renewed efforts between the two institutions to clarify their respective roles (Ibid.: 522–23).

In 1989, IMF and the bank management announced the “IMF–World Bank Concordat.” In broad terms, the agreement reiterated the dividing lines spelled out in the 1966 agreement but included more specific guidelines around institutional responsibility. The IMF’s primary areas now involved “public sector spending and revenues, aggregate wage and price policies, money and credit, interest rates and the exchange rate.” World Bank areas included “development strategies; sector project investments, structural adjustment programs; policies which deal with the efficient allocation of resources in both public and private sectors; priorities in government expenditures; reforms of administrative systems, production, trade, and financial sectors; the restructuring of public sector enterprises and sector policies.” The agreement also emphasized how increased World Bank and IMF focus on structural-adjustment lending required greater mutual sensitivity to each institution’s area of expertise, as well as more formal procedures to manage disagreements. If conflict occurred between the bank and IMF around conditionality negotiations, “the institution which does not have the primary responsibility would, except in exceptional circumstances, yield to the judgment of the other institution.” In addition, the concordat called for increased inter-institution collaboration and spelled out various strategies to increase staff and management contact. This included a move away from ad hoc meetings between IMF and bank staff and management to a more formal schedule of meetings and greater information sharing (IMF 1989).

A decade later, critiques of structural-adjustment lending pushed by the fund and bank set the stage for increased formal collaboration between the two institutions in low income countries. A 1998 IMF commissioned external review of the ESAF strongly criticized the institution’s inability to monitor the impact of short-term conditionality requirements. In response, it called on the fund to directly work with World Bank staff in this endeavor (IMF 1998: 28). The same report also highlighted how the lack of cooperation and coordination between the IMF and bank undermined the effectiveness of fund initiatives. The report noted that while in principle “there is close Fund-Bank cooperation and liaison in policy advise,” in practice “the norm is for liaison to be seriously deficient” and that the “building of genuine detailed liaison would require major institutional change” (Ibid.: 34). This lack of meaningful coordination was particularly problematic in the growing cynicism of country officials around the PFP process. As noted in the report, while many had initially welcomed the PFP “as an instrument of a genuine three-dialogue between the government, the Fund, and the Bank, it has become a rather routine process whereby the Fund brings uniform drafts (with spaces to be filled in) from Washington, in which even matters of language and form are cast in colorless stone” (Ibid.: 36).

In 1999, the IMF replaced ESAF with Poverty Reduction and Growth Facility (PRGF) that required recipient states draft Poverty Reduction Strategy Papers (PRSPs). PRSPs, designed by the member state in coordination with various domestic stakeholders and the bank and fund, outlined and identified specific policy areas that would be implemented to reduce poverty and promote growth. Implicit in the adoption of PRSPs was increased bank-fund coordination. Another area of increased collaboration built into the PRSP program was assessment. Here, IMF and World Bank staff co-wrote Joint Staff Advisory Notes (JSANs) in order to evaluate the strengths and weaknesses of specific PRSP design and implementation.

Another key area of increased IMF-bank collaboration since the late 1990s, involves financial sector issues. In reaction to broad-based critiques of how the fund and World Bank
handled the Asian crisis, the two institutions created the Financial Sector Assessment Program (FSAP) in 1999. Until the 2008 crisis, FSAP was a voluntary program that assessed the stability and potential weak links in a member state’s financial sector. The IMF was given sole responsibility for developing FSAPs for advanced economies. In emerging and developing economies, tasks were and remain divided between the fund and bank. The IMF’s primary role includes issues related to financial stability, while the bank focuses on issues related to financial sector development and improvement. Coordination on the FSAP and other financial sector issues is reinforced through the Financial Sector Liaison Committee (FSLC). The FSLC, made up of six senior IMF and bank staff, is a permanent committee charged with oversight of the FSAP and other collaborative undertakings related to financial sector oversight and improvement.

Kicked off in 2007 and reviewed in 2010, the Joint Management Action Plan (JMAP) also developed a series of specific procedural reforms to further tighten inter-institutional coordination. The JMAP is an outgrowth of a 2006 external review of fund-bank collaboration initiated by then Managing Director Rodrigo de Roto and Bank President Paul Wolfowitz. Recommendations for greater collaboration between the IMF and World Bank from the external review (known as the “Malan Report”) were integrated into the JMAP. Three general areas were identified. They include the following:

1) Improving coordination on country work, including through new procedures for country team coordination; 2) Enhancing communication between staff of the two institutions working on common thematic issues, including by sharing information through new electronic platforms; and 3) Improving incentives and support for collaboration on policies, review, and other issues, including by taking collaboration into account in performance assessments (IMF–World Bank 2007b).

Assessment of the JMAP in 2010 highlights how the 2008 crisis further reinforced calls for coordination and institutional division of labor. In response to future global crisis, the IMF and bank agreed on the following:

[1] In the event of economic shocks or crisis, the Fund generally takes a leading role in responding to the macroeconomic effects of shocks, providing countries with liquidity to smooth macroeconomic adjustment, and coordinating closely with the Bank and other development partners to ensure that total budget and balance of payments financing are part of a consistent overall macroeconomic program . . . the Bank has a key role in ensuring that development spending and objectives in critical health, education, and infrastructure are maintained (IMF–World Bank 2010: 21).

The 2010 assessment of the JMAP also highlighted that despite improved collaboration, several key areas require attention. These include greater information sharing and trust building, managerial attention to improve collaborative programs, and reforms to allow greater mobility between the two institutions (Ibid: 24).

A historical overview of IMF and World Bank policy coordination and cooperative efforts thus highlights two contradictory dynamics. At one level, the institutions are historically linked and complimentary entities charged with managing the global economic order and development outcomes. As such, we would expect an inter-institutional relationship that welcomes and actively promotes high-quality collaboration. However, as documented above, the evidence points to a more complicated reality. Despite an external environment characterized by increased global crises and pressure from management and key states pushing for greater proactive coordination between the two institutions, IMF–World Bank cooperation has not come easily.3 In the next section, we develop a theoretical framework that explains why high-quality collaboration remains elusive.

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Theorizing Organizational Culture and Inter-Organizational Collaboration

As highlighted by Franke and Koch (2013), neo-realist and neo-institutional conceptions of IOs as epiphenomenal extensions of nation-states have historically undermined theoretical and empirical engagement with IO collaboration. Like Franke and Koch, we conceptualize IOs as entities with agency rather than reactive instruments of powerful states, a position found in the growing body of IMF and World Bank literature that fuses components of constructivism and organizational theory (Barnett and Finnemore 1999, 2004; Chwieroth 2008a, 2008b, 2010, 2014; Clegg 2011, 2014; Hibben 2015; Momani 2005, 2007a, 2007b, 2010; Momani and Lanz 2014; Moschella 2010; Park and Vetterlein 2010; Vetterlein and Moschella 2014; Weaver 2008). Constructivists frame their study of IOs as one that recognizes exogenous, systematic factors but also is consciously and primarily focused on internal, institutionally specific agency and variables of the IO under study. The agency of IO actors also is constituted and influenced by institution specific organizational culture. As outlined by Barnett and Finnemore:

IOs . . . are established to accomplish certain tasks. To do this, they develop general consensus around their understandings of their core mission and the functions of their organization; goals to be pursued; basic means to pursue those goals; and some way to measure results. Thus organizations create a shared discourse, symbols, and values for their staff. These shared elements, in turn, generate a group identity for the organization and structure interactions among those within it (2004: 19).

Maintenance and reproduction of organizational culture and identity is not a passive process. Staff members internalize particular frames of reference and also socialize new employees to adopt particular norms and routines within the bureaucracy. Organizational culture, therefore, is deeply embedded and serves as the frame of reference through which events and signals from the external and internal environment are cognitively processed.

This inside-out perspective methodologically draws from ethnographic and historical process tracing to capture “micro-dynamics” at play. However, we argue that a theoretical supplement is needed for our concerns related to inter-organizational dynamics. Like IO scholars who argue that organizational culture matters, organizational behavior studies in management and sociology are also useful to theorize how inter-organizational dynamics can impact collaboration. Borrowing and building upon arguments from management and organizational behavior literature, there is a strong view that the cultures of two organizations can determine the success or failure of any potential collaboration between them. We focus on three interrelated variables identified in this literature: cultural proximity, mutual trust, and shared knowledge.

Cultural Proximity

Cultural proximity is deemed necessary for effective collaboration; cultural dissimilarity can lead to hostility, apprehensiveness, and failed collaboration. We draw from the business management literature to more specifically identify variables that produce archetypical categories of organizational culture and apply this understanding to an analysis of IMF and World Bank collaborative efforts.

Goffee and Jones (1996) focus on the interplay between higher and lower levels of “sociability” and “solidarity” as the primary variables shape organizational culture. As outlined by Goffee and Jones, sociability is a measure of “emotional, noninstrumental relations . . . among individuals who regard one another as friends . . . that is valued for its own sake” (Ibid.: 134). Organizations with high sociability generally produce employees who are willing to work “above and beyond” formal requirements of their job descriptions not only to support colleagues, but also to make their community successful. The negative effects of highly social organizations include problems associated with calling out poor performance, too much emphasis on compromise at the expense of potentially better outcomes, and a pattern of identity formation that produces “cliques and informal, behind-the-scenes networks” that undermine formal institutional procedures (Ibid.: 134).
Solidarity, in contrast, refers to how well an organization functions efficiently and effectively regardless of personal feelings. High levels of solidarity in an organization are marked by an ability to quickly assess costs and benefits associated with a particular problem and then follow through with a decision. This dynamic produces a community that has clear roles and standard operating procedures and little behind the scenes dealings or special treatment. This builds trust over time within the organization as employees identify in the goals of the organization. Negative effects of solidarity can include high levels of conformity and lack of critical pushback against poorly made program decisions (Ibid.: 136).

The variations of sociability and solidarity produce four distinct archetypes of organizations: networked (high sociability/low solidarity), communal (high sociability/high solidarity), mercenary (low sociability/high solidarity), and fragmented (low sociability/low solidarity). Relative to our purposes, we focus on two of these archetypes that are characterized in part by high solidarity. In a communal organization, high solidarity is complemented with high sociability. This produces a dynamic where individual identity is often tied to organizational identity and results in a heightened sense of loyalty to peers, and in some cases an “us versus the world” mentality relative to outside critics or competition. Mercenary organizations differ in that lower levels of sociability produce a heightened sense of competition—both between individuals inside the organization and against outside forces that challenge it. High solidarity combined with low sociability also is correlated with more rapid decision making than is seen in communal organizations, and little patience for thinking “outside the box” or for work performance that does not meet standards of the organization.

Confidence (and Trust)
Another variable that shapes quality of collaboration is inter-organizational confidence and trust (Das and Teng 1999a, 1999b, 1999c). Confidence in the “other” is a key indicator of collaborative success and is reinforced primarily by increased trust (Aulakh, Kotabe, and Sahay 1996; Mayer, Davis, and Shoorman 1995). Trust, in turn, is produced when two organizations participate in risk taking activities, increase communication, and undergo inter-organizational adaption (Das and Teng 1999a: 503). Risk taking and trust are conceptualized as reciprocally related concepts. Without a process that involves risk taking, organizations are unable to assess the trustworthiness of the “other.” Successful trust building takes time, as repeated interactions are often necessary to demonstrate that the “other” will undertake challenging or controversial projects. Once a base level of trust is formed, future collaborative efforts that entail greater mutual risk have a greater chance of occurring (Ibid.: 504).

Trust and inter-organizational confidence is also positively correlated with increased communication. Three major reasons underlie this fact. First, a well-established pattern of communication lowers the potential for misunderstanding and serves as an avenue to resolve differences. Second, greater communication facilitates information symmetry and undermines the ability of one organization to use select knowledge to gain power in the relationship. Third, increased communication serves as the foundation for continued interaction. If this interaction is sustained, there are several scenarios where cultural proximity will increase. Most salient is that empathy of the actual participants involved in the collaboration increases for the “other.” New identities may also be formed among the participants involved in the collaborative effort itself. If high levels of trust and confidence are reached, organizations involved in coordinated programs can exhibit “interfirm adaption” (Heidi and John 1992). Under these circumstances, there is increased mutual flexibility and greater ability to coordinate and cooperate with the partner organization.

Forms of Trust and Knowledge Sharing
Levin, Cross, and Abrams (2004) also highlight the self-reinforcing relationship between knowledge sharing, trust, and successful collaboration. Here, two forms of trust are identi-
Benevolent-based trust refers to the belief that others will not harm you or your reputation if given the chance. Competence-based trust involves a belief that others are sufficiently knowledgeable of the topic, particularly when they are complex. If two organizations share competence-based trust, knowledge sharing is expected to exist. Specific to our study of bank-fund collaboration, this can serve as a barometer of sorts that captures the relative inter-organizational trust that exists at particular historical junctures. High levels of knowledge sharing signify periods of mutual trust while low levels point to increased mistrust. Levin et al., (4) also outline various factors that influence how individuals will rate the relative trustworthiness the “other” and subsequent willingness to share information. These include demographic similarity (age, class, and gender), organizational similarity, and high social capital (repeated interactions, shared values and goals, and shared language and terminology).

Testing Theories of IMF–World Bank Collaboration

This section tests the following hypotheses:

**H1:** Cultural dissimilarity between the IMF and World Bank reduces high-quality collaboration.

**H2:** Increased interaction and knowledge sharing between IMF and World Bank staff reduces distrust and increases high-quality collaboration.

We define high-quality collaboration as IMF–World Bank coordinated work that maximizes institutional comparative advantage to address macroeconomic and development needs of member states, enhances effective coordination on country issues, and supports creative problem solving. Evidence to test these hypotheses is drawn from a variety of sources. These include IMF and World Bank policy documents, IMF and World Bank surveys of staff on questions of collaboration, and semi-structured interviews of IMF and World Bank staff who have engaged in IMF–World Bank collaborative work in the Democratic Republic of Congo, Ghana, Guinea Bissau, Liberia, Mozambique, and Tanzania.

**H1: Cultural dissimilarity undermines high-quality collaboration**

A mercenary organization characterized by high solidarity combined with low sociability exhibits rapid decision making, rigidity, and strict adherence to standard operating procedure in its daily work. A communal organization with high solidarity and high sociability demonstrates a greater willingness to engage in alternative ideas, moves slower in decision making, and is flexible. We find a prevailing theme of IMF–World Bank relations is cultural divergence due in part to differences in sociability and solidarity. This difference undermines high-quality collaboration.

Fundamental differences found in the institutional mission and organizational structure of the Bretton Woods twins produce lower levels of solidarity in the World Bank than in the fund and lower levels of sociability in the IMF than in the bank. The IMF consists primarily of elite trained economists and financial experts who almost all work at headquarters in Washington, D.C. The World Bank, in contrast, is made up of a staff from a diversity of professional backgrounds who work in over forty offices and 120 countries across the world. In comparison to the IMF, the bank is also larger (about 10,000 staff members as compared to 2,400 for the IMF) and is made up of two major organizations: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), which are associated with the International Finance Corporation (IFC), the International Center for Settlement of Investment Disputes (ICSID), and the Multilateral Guarantee Agency. All else being equal, we should expect the larger and more heterogeneous World Bank to exhibit greater flexibility and inefficiency in decision making than the smaller and more homogenous IMF.

Along with differences in organizational structure, size, and professional diversity of staff, we find the respective institutional mandates of the IMF and World Bank produce and reinforce divergent modes of interaction and decision making. As noted by a 1994 IMF study, “The fundamental difference is this: the Bank is primarily a development institution; the IMF...
is a cooperative institution that seeks to maintain an orderly system of payments and receipts between nations” (Driscoll 1994: 2–3). Anne Krueger (1998) also highlights that the cultural divergence found between the two institutions is tied to their respective responsibilities. IMF often deals with countries in crisis. In contrast, the World Bank provides loans to projects and is seen more as a “friend of developing countries” (Ibid.).

As noted in a 2001 joint bank-IMF study of collaboration, these respective core mandates produce differences in how the two institutions conceptualize the time needed for decision making and policy implementation (IMF–World Bank 2001: 5). The World Bank, with its focus on development, has longer time horizons. Bank staff thus may exhibit greater patience and willingness for the “best” solution to emerge rather than the most convenient. In contrast, the fund, with its focus on crisis management, brings with it a short time horizon. Quick action is prioritized and we should expect little patience from IMF staff for brainstorming, thinking outside the box, or overly process oriented formats when working with their bank counterparts.

Past studies of the IMF and World Bank thus maintain that differences in organizational structure and institutional mandates produce a comparatively disciplinarian, formal, hierarchical, and efficient IMF and an informal, inefficient, and decentralized World Bank (Polak 1994; Easterly 2002; Dreher 2009). IMF historian James Boughton describes this dynamic as follows, “[the Fund] is a tidy disciplinarian (both toward itself and others), physically small, nearly devoid of humor, and more interested in gaining respect than in being loved. The other [the Bank], of course, is a culture apart” (2001: 996). Or as Kapur, Lewis, and Webb have noted, the IMF is like the Catholic Church and the World Bank like a group of Protestant sects (1997: 622).

Our findings are generally consistent with this narrative. While individuals in both institutions strongly identify in their organization, the fund’s smaller and homogenous staff of economists focused on crisis management and surveillance consistently equates “IMFness” with the values of efficiency, objectivity, and data driven technocratic decision making. A broadly homogenous identity rooted in technocratic rationality contrasts with dynamics in the World Bank where a larger and more diverse staff is more open to process and multiple views. Another dynamic that produces less cohesion and homogenous identity for World Bank staff stems from the fact that there is competition within the institution for resources for development projects. A staff member who was interviewed highlighted this “entrepreneurial” element within the bank reinforces themes of decentralization and dissonance within the institution that undermines a broadly shared identity.4

These differences outlined above impact the quality of collaborative work in several dimensions. First, several of the IMF staff who had been interviewed insinuated that they were broadly effective in their work due to greater efficiency. As articulated by an IMF staff member who had served as a mission chief in Africa, “We are a lot more nimble than the World Bank. When we see a problem, we can move resources quickly and bring them to bear.”5 Another IMF staff member differentiated two modes of World Bank response time based on internal funding: “Sometimes the World Bank has a trust fund and they still have money available and then they can be responsive. . . . If that is not the case, then it is a huge bureaucracy. We have a lean and hierarchical system. If there is an issue that we think is a problem, we can mobilize a mission and response in no time.”6

The theme of efficiency also plays out when the fund and bank produce joint reports. IMF staff reported in interviews that the bank often falls behind agreed-upon deadlines.7 A 2007 IMF–World Bank survey supports what interviewees expressed (See Table 1 below).8 Only 53 percent of IMF staff surveyed noted that they received “pertinent and timely” information

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4. Author interview of IMF staff member from the Monetary and Capital Markets Department, Washington, D.C., November 2014.
5. Author interview of IMF staff member from the Africa Department, Washington, D.C., September 2012.
6. Author interview of IMF staff member from the Monetary and Capital Markets Department, Washington, D.C., December 2014.
7. Author interview of IMF staff member from the Monetary and Capital Markets Department, Washington, D.C., December 2014.
8. 98 IMF and 48 World Bank staff members responded to the survey.
from the bank “to a large extent” while 16 percent responded “not at all.” World Bank staff reported higher rates of receiving timely information from the IMF. Staff from both institutions reported a much higher rate of providing timely information.

Table 1: IMF–World Bank Staff Views on Timely Information Sharing

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<th>To a large extent</th>
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<td>IMF</td>
<td>53%</td>
<td>30%</td>
<td>16%</td>
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<tr>
<td>WB</td>
<td>69%</td>
<td>24%</td>
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<th>To what extent have you received pertinent and timely inputs from the other institution?</th>
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(IMF and World Bank, 2007a:31)

The World Bank’s greater patience for multiple viewpoints also sometimes undermines confidence in its work from IMF staff. A senior staff member in the IMF’s Research Department, for example, describes his joint meeting with Bank officials as follows:

The World Bank is not very coherent. For example, at a joint meeting, there were three people from the Fund and twenty-five people from the Bank . . . We had already had a view that we had worked out before the meeting. The Bank staff, with twenty-five people, had twenty-five and a half to twenty-six viewpoints.9

This lack of coherence is most salient during difficult points of collaborative work where underlying biases can emerge and even boil over. One fund staff member who was interviewed, for instance, expressed that during frustrating periods of work with bank colleagues, a sense of smugness can emerge where IMF staff member views their own work as more important than what the bank is doing.

From the World Bank’s perspective, a more rigid and procedural norm found within the IMF around resource allocation and information sharing can also bog down collaborative work:

The Fund rules for sharing information on technical assistance are a bit more restrictive than the World Bank. For instance, a counterpart at the World Bank asked if I could share our technical assistance report. I contacted the mission chief. He told me that once the country authorities get the report, they have sixty days to say “no” to sharing. Up until then, you have to wait. Sometimes I think the World Bank thinks, “Why can’t you just share it with us?”10

The theme of rigidity also plays out in perceptions of IMF staff as overly conforming and uncreative problem solvers. Seabrooke’s study of FSAPs, for example, found that client states preferred IMF staff to have less IMF work experience and more private financial market experience in hopes of circumventing the “IMF’s groupthink” (2012: 495). Bank staff also articulated the notion that IMF are sometimes too focused on rules rather than thinking “outside the box” to find the best solution.11

Another key difference highlighted by several IMF staff is the belief that the IMF’s policies are more consistent due to what was described as a “rules-based” internal culture. When working with the World Bank, IMF staff complained that agreed upon policy direction can quickly shift with individual World Bank staff turnover, particularly at the mission chief level. When this occurs, country authorities can exploit these differences and subsequently avoid reform:

10. Author interview of IMF staff member from the Monetary and Capital Markets Department, Washington, D.C., December 2014.
We are less flexible, but I also think we are more consistent. My experience is that the World Bank is sometimes quite person driven. An example is our joint work in [an African country]. At the beginning we had all these coordination meetings, and we were speaking the same language. And I found it extremely important that we were speaking the same language, because we were addressing a structural problem that was very difficult and had a lot of vested interests and rent seeking. We wanted to increase transparency and accountability in the natural resource sector. . . . The World Bank was perfectly behind us until their country director changed. The new country director found that the approach we have in African countries was too heavy handed, and we were being too intrusive. . . . For us, we wanted to keep up the pressure for reforms for more transparency and accountability. . . . As reforms remained stalled, our program expired while the World Bank continued with their lending. I believe that what happened in this case with the World Bank with the arrival of a new mission chief would have been more difficult at the IMF.  

When asked if these divisions were exploited by country authorities, the fund staff responded that “they played us off each other.” The staff member also emphasized that when the IMF and bank “spoke with one voice,” significant progress was being made in reforming the natural resource sector. Since the breakdown of collaboration between the IMF and World Bank, difficult structural issues have not been addressed. In this case, cultural differences rooted in organizational structure undermined high-quality collaboration with negative consequences for macroeconomic and development outcomes.

**H2: Increased interaction and knowledge sharing reduces distrust and increases high-quality collaboration**

A 2010 IMF–World Bank survey conducted for the JMAP highlights that IMF and World Bank staff reported that for staff working in LICs, “71 percent of Bank staff and 53 percent of Fund staff reporting being in contact at least weekly” (IMF 2010: 35). Despite this level of contact, our interviews show distrust exists between the IMF and World Bank staff. We find that this distrust is primarily the product of different organizational structure and institutional demands rather than a sense of institutional, professional, or individual superiority. Trust building is tied to informal and ad hoc team building facilitated by mission chiefs and project leaders. Increased trust is not, however, simply the product of more interaction. When clear institutional roles are provided, staff interact less, yet trust more.

When asked how they viewed their counterparts, interviewees consistently responded that their counterparts were well-qualified experts and had similar goals. As articulated by IMF staff member, “There is this idea that IMF staff are better trained. I don’t know if that is true . . . It’s not that we are smarter. That is nonsense.” A senior IMF staff member who was interviewed, argued that the primary variable that undermines trust between staff is rooted in diverging business models. The World Bank ultimately must produce income through promotion of projects in its member states. The fund is under no such financial constraint. IMF staff members are wary of the fact that their bank colleagues are under pressure to be “helpful” to country authorities rather than stand at a consistently “objective” distance. In the context of FSAPs, for example, bank assessment of the financial sector and solutions for improvement often call for greater World Bank involvement in project development. This position is not always shared by fund staff. Bank staff question, in turn, the fund’s preoccupation with objectivity over building relations with country officials, and argue that an overly rigid and heavy-handed approach can ultimately undermine developmental progress.

13. Ibid.
Trust building is also hampered during collaborative projects such as FSAPs due to, in part, differences in how each institution makes up their teams. Specific to FSAPs, teams are in country for a two week period. While all the IMF staff remain in country during this period, individuals on the World Banks side come and go. This sense of discontinuity is reinforced by the fact that IMF and World Bank staff rarely work together as the same team more than once. As articulated by a fund staff member, this undermines trust:

Trust has to be built through personal interactions. I think if maybe the same people were going on different missions, if they work together well, you can build more trust. If you are constantly getting different people, do you trust that the institution is giving you the best partner?\(^\text{15}\)

Given these dynamics, staff who were interviewed highlighted the importance of mission chief interaction and communication prior to and during field work: “The good coordination comes at technical level and the mission chief level where you sit together and you try to coordinate your mission. That is where the coordination really takes place.” This also helps facilitate an environment where teams “pull on the same string” and focus in on their areas of expertise.\(^\text{16}\)

Communication and interaction among mission chiefs and team leaders also can stimulate creative problem solving:

When I was in [an African country], the World Bank had two full time staff who did outreach. They had a little library and they were organizing once per month a huge conference for all of the NGOs. But because it is in the mutual interest that the NGOs understand what the World Bank is doing and what the IMF does, they invited me to all of these conferences. And they said, “You take ten minutes and explain the IMF angle.” And in the library, they gave me one shelf where I could put IMF publications and report. I found that to be great. It was super low cost and high impact.\(^\text{17}\)

While individual cases of effective communication and interaction exist between IMF and World Bank staff, the evidence suggests that this occurs with little formal support. Interviewees highlighted the \textit{ad hoc} nature of collaborative team building. The 2007 JMAP also notes “coordination between the Bank and the Fund is largely left to individual country teams” (IMF–World Bank 2007:36).

One exception to this informal approach is the Financial Sector Liaison Committee (FSLC) that proactively works on collaboration. A 2014 review of the FSAP highlighted the role of FSLC as follows:

Frictions sometimes arise in connection with differences in Bank and Fund institutional priorities . . . FSLC will continue to be the place where these issues will be managed at the staff level as they emerge (IMF 2014:22).

Both bank and IMF staff who were interviewed highlighted the uniqueness of FSLC in the context of proactively improving collaborative work. Some also suggested that the FSLC model could be proved useful in other joint programs including the Poverty Reduction Strategies initiative where no such coordinating body currently exists.

When organizations share competence based trust, we should expect a high amount of knowledge sharing. As noted above, complaints around the timeliness of information sharing is a common theme among staff. However, staff who were interviewed didn’t see this as the result of a lack of trust in the competency of their colleagues: “There is never this discussion of ‘let’s not talk to them because we are better,’ ‘let’s not give them documents.’” The 2007 IMF–World Bank survey reiterated similar themes. While staff in both institutions “most often identified information sharing as the area in greatest need of improvement . . . There is also some evidence that insufficient sharing may be due partly to a lack of clarity on what documents can be shared” (IMF–World Bank 2007a:41).

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15. Author interview of IMF staff member from the Monetary and Capital Markets Department, Washington, D.C., December 2014.
17. Author interview of IMF staff member from the Monetary and Capital Markets Department, Washington, D.C., December 2014.
Several interviewees also said that due to time constraints and the work load, too much information and time spent on unproductive collaborative work undermines the quality of joint projects. Senior staff members at the World Bank and the IMF involved with the FSAP emphasized how a 2009 reform that clearly separated institutional roles both reduced inter-institutional face time, but improved the quality of joint product.\(^{18}\) This suggests that simply more interaction and information sharing does not necessarily enhance trust and quality of collaboration.

**Conclusion**

A historical overview of IMF–World Bank relations highlights trends of mutual mistrust and periodic turf war flare-ups between the Bretton Woods twins. While inter-institutional joint projects have increased since the late 1990s, the quality of collaboration remains inconsistent. Drawing from constructivism and the organizational management literature, we theorized and tested why high-quality collaboration remains elusive. Evidence derived from staff interviews, policy documents, and surveys suggests that cultural dissimilarity undermines the quality of collaborative work in several critical areas. These include efficiency in decision making, timeliness of reports, and shifts in policy positions during collaborative processes.

A methodological focus on micro-processes of IMF–World Bank staff interaction reveals that inter-institutional distrust is not tied to personal or professional feelings of superiority. Rather, mutual distrust stems primarily from different institutional mandates and business models. We also found evidence that trust building between IMF and World Bank staff is primarily done on an *ad hoc*, informal basis. Evidence from interviewees also shows the importance of mission chief and team leadership in trust building. When mission chiefs and staff meet *prior* to negotiations with country officials, trust and confidence is enhanced. Informal contact and social time with colleagues also reinforces trust and the quality of collaboration.

This article also advances the literature empirically through documentation of staff “buy in” into collaboration. Interviewees didn’t see efforts by management to improve collaboration as a waste of time. Rather, they expressed that low-quality collaboration produces “real” detrimental effects on outcomes in member states. Staff, however, are wary of efforts that produce *more but not necessarily better* collaboration. They highlight the 2009 FSAP reform, which clearly delineated IMF and World Bank responsibilities, as a practical and positive measure to maximize institutional comparative advantage.

Future studies should develop and test more fully several theoretical concepts advanced in this article. We introduced and operationalized the concept of high-quality collaboration and provided evidence from a small sample of cases that cultural dissimilarity and distrust undermines the effectiveness of joint IMF–World Bank work. Variables including cultural proximity and trust provide a foundation for analysis and prediction of the extensity and quality of collaboration between the two institutions. A large N study that quantifies and measures over a broader sample of countries the relationship between metrics of high-quality collaboration relative to cultural dissimilarity and trust would serve as the next logical step in our research agenda.

**REFERENCES**


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