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IMF Managing Director Kristalina Georgieva recently said in a joint press conference with World Bank President David Malpass that "[COVID-19] ... calls for a global coordination mechanism to accelerate matching demand with supply of what is necessary for the health system to respond. And I can tell you that we, the World Bank and the IMF are stepping in, are taking our responsibility for this global coordinating mechanism."[1] Georgieva's focus on how international institutions can work together rather than apart is apt – I argue it is essential that the Bretton Woods institutions collaborate and coordinate with peer international financial institutions as they act to promote a sustainable and far-reaching global recovery.

The International Monetary Fund (IMF) and World Bank – collectively called the Bretton Woods institutions – often attach difficult policy conditions to their loan programs. Nearly all IMF loans are conditional budget support, as are around 30 percent of World Bank loans. These institutions employ conditions to hold recipient countries accountable, mitigate moral hazard, and address policies that might otherwise mute the positive impact of their financing. Moreover, these conditions are designed to promote long-term economic welfare gains through liberalization despite substantial short-run adjustment costs. This means that enforcement is of the utmost importance, and it often takes place against the backdrop of domestic unrest and political turnover. However, scholars believe that these institutions require monopoly power to impose such conditionality, as states that belong to other organizations might use the threat to pursue financing elsewhere to bargain down the stringency of their loan conditions.

My research focuses on how the Bretton Woods institutions can prevent states from shopping between international organizations in this way. Specifically, I show how the IMF and World Bank can work in tandem with peer international financial institutions to promote welfare-enhancing outcomes. This is particularly important because the number of international organizations offering development and emergency budget support to states has increased substantially in recent decades – there are now 37 such organizations, including several led by China that attach few policy strings to their loans. This means that the World Bank and IMF now lack the monopoly authority thought to be necessary to enforce their preferred policies. Moreover, the level of competition faced by the Bretton Woods institutions is much higher than during the last global economic crisis that took place in 2007-08.

In order for the Bretton Woods institutions to navigate this increasingly dense institutional environment and drive a sustainable global recovery, I argue that they must cooperate with these other governance actors. They can do so by co-financing loan programs and pooling information and expertise. My research shows that when multilateral institutions work together in these ways, they can prevent states from shopping between organizations to secure more lenient terms. This is because cooperation forces the organizations in question to agree to a common regulatory and policy framework. By looping outside institutions into the policymaking process in this way, the IMF and World Bank can help countries heal from the economic crisis driven by the COVID-19 pandemic.

To support this argument, I collect original data on cooperation between the Bretton Woods institutions and their organizational peers. I show that countries receive fewer and less

[1] Transcript of Joint Press Conference on COVID-19 by IMF Managing Director and World Bank Group President. March 4, 2020.

stringent loan conditions from the IMF and World Bank covering fewer policy areas when they belong to outside institutions, but only when these institutions fail to cooperate with the Bretton Woods institutions. For instance, while countries joining the Latin American Reserve Fund, which has never cooperated with the IMF, are awarded breaks on their loan conditions, membership in cooperative institutions, such as the European Stability Mechanism, does not generate such bargaining power. The Bretton Woods organizations can then combat institutional crowding and promote welfare-enhancing reforms through cooperation.

These findings are particularly important amidst the worst global economic crisis since 2007-08. My findings suggest that given increased institutional density in the crisis lending space, it will not be enough for the IMF and World Bank to simply offer loans to members in exchange for reforms that promote good governance. Rather, the Bretton Woods institutions must pursue increased cooperation with other development banks and regional emergency lending organizations. A failure to do so could be fatal, as member states could leverage their membership in multiple organizations to avoid necessary structural adjustment. The welfare consequences of such failures could be dire given the depth of the current crisis.