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Explaining coherence in international regime complexes: How the World Bank shapes the field of multilateral development finance

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ABSTRACT

The landscape of multilateral development finance has changed dramatically in the past decades. At Bretton Woods, delegates envisioned the World Bank as the focal organization mobilizing financial support for national development strategies. Today, this issue area is populated by no less than 27 multilateral development banks including the Asian Infrastructure Investment Bank and the New Development Bank created under Chinese leadership. This paper shows that, despite this institutional proliferation, the development finance regime remains largely coherent and core governance features designed at Bretton Woods continue to shape the emerging regime complex. We develop a historical institutionalist argument for why newly created institutions are likely to imitate extant institutions. We suggest that states add new institutions not only in response to deficiencies in extant institutions but also to increase their control and reputation. We analyze three causal pathways – path-dependence, orchestration, and independent learning – that contribute to a coherent regime complex. We show that focal international organizations can use their position to prevent incoherence.

KEYWORDS Bretton Woods; World Bank; Asian Infrastructure Investment Bank; New Development Bank; development finance; regime complexity; historical institutionalism; coherence

Introduction

In 1944, delegates from 44 countries designed a novel system of development finance to help reconstruct war-torn countries and encourage economic growth in less developed countries. This system was characterized by the legalization of multilateral development finance under the roof of one focal international organization (IO) committed to multilateralism and economic embeddedness, the International Bank for Reconstruction and Development (IBRD) – the original arm of the World Bank (WB). Since then, this system has been extensively broadened. Today, it

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encompasses five World Bank Group institutions: the IBRD; the International Development Agency (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for the Settlement of Investment Disputes (ICSID). This empowerment of the legacy organization went hand in hand with the creation of 27 multilateral development banks (MDB) that challenge the old system. The most recent MDBs, the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) created under Chinese leadership, are prime examples of this challenge, as their funding members publicly announced that their new creations were intended to question the WB and its governance features. However, we show in this contribution that the governance features of the Bretton Woods system are still largely in place. They continue to shape the operations of the WB and are central to the design and operations of most other MDBs.

This coherence of the multilateral development finance system presents us with a set of puzzles. First, why would states, typically protective of their resources, invest in the creation of IOs replicating the features of the existing one? Second, why do IOs, often competing for scarce resources, engage in similar operations? Common to these puzzles is the question of what explains the coherence of the multilateral development finance regime complex.[1]

Against this background, we make three contributions. First, we propose a benchmark for coherence, focusing on the four features of the Bretton Woods system presented in the introduction to this symposium (Fioretos & Heldt, 2019). This focus on multilateralism, legalization, focality, and market embeddedness enables us to trace legacies and innovations since Bretton Woods inside and outside the WB. It provides us with an explicit yardstick for measuring the coherence of the development finance regime complex over time.

Second, we develop a novel historical institutionalist argument on the conditions and causal mechanisms that lead from a unified regime, that is to say, an issue area exclusively governed by a focal institution, to a coherent regime complex with overlapping but similar elements. The argument starts with the situation in which states choose to complement the focal institution by a new one. In some contexts, states react to substantial deficiencies in the performance and problem-solving capacity of extant institutions. In these cases, states are likely to create institutions that differ significantly from their predecessors to overcome their deficiencies. In other contexts, states strive for more control over an issue area and other institutions. They may also be interested in increasing their reputation as capable actors in world politics. In these cases, the dynamics of institutional design and subsequent behavior differ. States create new institutions because they deem extant institutions to be successful and expect to reap additional benefits from replicating the first-mover institution. In this context, new institutions are likely to integrate and interact coherently with existing ones. We specify three causal mechanisms that translate this context into coherence: path dependence, orchestration, and independent learning.

Our third contribution is empirical. Building on the extensive literature and our own analysis of MDB founding documents, annual reports, and cooperation agreements, we examine the coherence of the development finance regime complex since Bretton Woods. While scholars have begun to map regime complexes in other issue areas, including health, environmental protection, security, and trade (Andonova, 2017; Hofmann, 2018; Morin, Louafi, Orsini, & Oubenal, 2017), the emergence, development, and coherence of the development finance complex has, to our knowledge, not been examined. We show, first, that innovations within the WB have transformed but not displaced core features. Second, we demonstrate how focality and first-mover advantages have enabled the WB to advocate its governance features and shape the coherence of the regime complex. Third, we show that most MDBs and even the most recent contenders – the AIIB and the NDB – which are frequently identified as major challengers to the coherence of the regime complex (Stephen, 2017; Weaver, 2015) do not question the governance features of multilateral development finance.

The evolution of (in)coherent regime complexes

Under what conditions is a regime complex, that is, 'a set of international institutions that operate in a common issue area and the mechanisms that coordinate them' (Henning, 2017, p. 19), coherent? We answer this question in two steps. First, we provide a definition of coherence. Second, we develop a historical institutionalist argument on the evolution and development of regime complexes.

We see coherence as a systematic element of regime complexes defining the degree of complementarity between the elemental institutions of a regime (Morin & Orsini, 2014, p. 306). Following Biermann et al. (2009), this is the case when governance features are similar or integrated across the regime complex. A regime complex is cooperative if governance features do not contradict one another. By contrast, a conflictive regime complex exists if there are fundamental contradictions in governance features. Applying this typology to global economic governance means that a synergetic regime complex is characterized by multilateralism, legalization, focality, and market embeddedness (Fioretos & Heldt, 2019). A cooperative regime complex is home to different institutions that do not contradict these features. And a conflictive regime complex would be characterized by features that clearly break with this legacy of the Bretton Woods system.

Much of the scholarship on regime complexes emphasizes the strategic behavior of states leading to this latter type of conflictive and incoherent regime complexes. This literature typically describes 'the co-existence of multiple governance actors with overlapping mandates as a pathology […] that threatens governance effectiveness through redundancy, inconsistency and conflict' (Abbott, Genschel, Snidal, & Zangl, 2015, p. 7). A different perspective contends that regime complexes may result in co-governance, a division of labor, and ultimately a coherent complex (Gehring & Faude, 2014).

We complement these efforts by highlighting the evolutionary nature of regime complexes. In contrast to the rational design literature, which builds its explanation of why and how states try to solve collective action problems via international institutions on the underlying cooperation problem and the characteristics of states (Koremenos, Lipson, & Snidal, 2001), a focus on the historical development of regime complexes reveals that both the design and behavior of new institutions are also shaped by extant institutions. Hence, the coherence of regime complexes cannot be understood without reference to the institutional environment. To explain why some regime complexes are conflictive whereas others are coherent, we need to study the institutional architecture into which additional institutions emerge

(Hofmann, 2011) and the timing and sequence of this institutional development.[2] We should point out that the coherence of regime complexes depends not only on the creation and design of new institutions, but also on how extant institutions react to newcomers. The institutional development of institutions already in existence is, of course, an important dimension of regime complexes. But we suggest that a full explanation of coherence in regime complexes requires a separate and comprehensive study. We therefore limit ourselves to studying additions to a regime complex.

Historical institutionalists argue that timing (when something happens) determines what options are available and are selected by actors in global governance, what ideas actors consider legitimate, and the conditions under which a certain path is more likely to be followed. By the same token, how reforms in a critical juncture are staggered (sequence) may shape the degree to which support can be built and extant institutional designs are more likely to be displaced, converted, or new ones layered on top of old ones (Fioretos, 2017; Mahoney & Thelen, 2010; Rixen, Viola, & Zürn, 2016).

Following this perspective, our argument begins with the question of why states decide to complement a focal institution by a new one. Rooted in rational design theory, Jupille et al. (2013, p. 47) argue that the institutional choice of creating a new institution instead of using or changing extant ones is a reaction to 'substantial deficiencies in the institutional status quo.' By this logic, the creation of an additional institution responds to dissatisfaction with the performance and problem-solving capacity of an institution (Morse & Keohane, 2014; Urpelainen & Van de Graaf, 2015). In these cases, states are likely to associate failure and disadvantage with past designs. They are thus motivated to find alternatives not replicating earlier deficiencies.

Yet, recent research on rising powers and institutional choice shows that dissatisfaction with institutional performance is not the only reason why states create new institutions (Zangl, Heußner, Kruck, & Lanzendörfer, 2016). Rather, states may strive for influence in a given issue area to steer cooperation benefits in their preferred direction (Stone, 2008), to gain influence in other international institutions (Henning, 2019), to enhance their status and prestige (Paul, Welch Larson, & Wohlforth, 2014), or to overcome gridlock in the focal institution (Hale & Held, 2017).

By this logic, the institutional status quo plays a substantially different role in the design and behavior of novel institutions. When states aim to increase influence and status, the design of the focal institution tends to be reaffirmed because of the benefits it has created in the past. In these cases, the rules and operations of the focal institution limit the domain of options available to states. In this sense, the sequence of how regime complexes develop over time is crucial for our understanding of their coherence.

Three mechanisms translate this mode of institutional choice into the formation of a coherent regime complex. First, path-dependence is likely to lead to an institutional design similar to the focal institution in the field (Fioretos, 2011). Because powerful actors have adapted to the focal institution, they will push for compatible designs. Furthermore, as the focal institution has demonstrated its authority in the field and states aim to reap additional benefits from these operations, they will try to minimize uncertainty by promoting similarity and coherence.

Second, as designing and operating international institutions requires expertise, international bureaucrats working with the focal institution are asked for input (Johnson & Urpelainen, 2014) or even become part of the new bureaucracy. The direct advocacy of these actors tends to increase the coherence of an emerging regime complex. Because international bureaucrats have become socialized into the features of their parent institutions (Barnett & Finnemore, 2004; Weaver & Nelson, 2016) and because they aim to expand the mandate of their organizations (Einhorn, 2001) they will adapt novel institutions along the lines of these features. Similarly, advice from extant institutions will be considered when the new institution begins its operations, as regime complexity heightens the role of experts who can navigate the regime complex (Alter & Meunier, 2009, p. 16). In this context, the first-mover advantage of the focal institution creates an information advantage and thus leads to vertical differentiation, which enables the focal institution to orchestrate the newcomers (Abbott et al., 2015, p. 7).

Third, even in the absence of such direct encounters between focal and novel institutions, first-mover effects are likely to create coherence. Because the focal institution has acquired broadly respected expertise in how governance targets can be achieved, international bureaucrats working with new institutions tend to draw on these resources to learn from the focal institution (Gehring & Oberthür, 2009, p. 132).

With time, the strength of expertise and reputation mechanisms accumulates owing to increasing returns and learning effects. As more actors adapt to the system and because direct advocacy by international bureaucrats and learning from extant institutions are amplified by the growing number of similar institutions, it becomes increasingly unlikely that new designs and behaviors will depart substantively from extant institutions (Pierson, 2004). Overall, this path-dependent development should lead to a coherent regime complex. This does not imply that all institutions in such a complex will have exactly the same design or do exactly the same things. Differences may still exist, institutions may set different priorities, and competition might still arise, but their governance features will be compatible.

Legacies and innovations in multilateral development finance

This section examines the coherence of multilateral development finance in four steps. First, we specify how multilateralism, legalization, focality, and market embeddedness were integrated into the WB's institutional design and how the WB implemented them during its formative period. Second, we outline how the WB has transformed governance features over time. Third, we examine whether, to what extent, and how the WB was able to spread its governance features to a growing number of MDBs. Fourth, we turn to the most recent contenders, the AIIB and NDB. As both organizations were initiated by non-Western coalitions explicitly excluding the US, they constitute a demanding test for our theory.

Foundations of multilateral development finance

The WB was established to mobilize financing for the reconstruction of war-torn countries and for the long-term economic development of countries with limited access to private capital markets. Its Articles of Agreement (AoA) and activities during the formative years reveal the specific notion of multilateral development delegates had in mind when they met in 1944. They designed a system that was characterized by the *legalization* of multilateral development under the roof of one *focal* IO committed to *multilateralism* and economic *embeddedness*. These governance features are enshrined in institutional design and are transposed into actual behavior by MDBs and their member states. This implies that the application of governance features can vary across institutions and time. When this variation crosses certain thresholds, features are no longer implemented and rivaled by conflicting governance features. At this point, regime complexes become incoherent. We specify these thresholds in the following section.

Multilateralism is a key feature of international organizations (Helleiner, 2019). Ruggie (1992) argued that what is distinctive about the feature is not so much the coordination of national policies in groups of three or more but that this coordination occurs on the basis of generalized principles ordering relations among states, without regard to particularistic interests or strategic exigencies.

At Bretton Woods, delegates embraced this notion when they designed the WB as a truly international organization in which all members had some stake and felt responsible for decision-making and guaranteeing the provision of development finance (Gavin & Rodrik, 1995). At first, the WB was intended to become an intergovernmental organization, tightly controlled by member states, which would provide guarantees for private loans. However, this initial design was quickly refined for two reasons. First, private investors and WB management preferred direct lending over guarantees (Mason & Asher, 1973). To this end, the organization had to be able to raise capital in private markets. Hence, the first WB Presidents, Eugene Meyer, and John J. McCloy demanded more independent management and less intervention by national governments. Instead of a fully state-run organization, the WB became an independent IO where daily work was implemented by an international secretariat that aimed to appear technocratic and apolitical. Second, the universal aspirations of the Bretton Woods system were quickly undermined after the war When the USSR and its allies refused to join, the system came to be rivaled by an alternative order centered around central planning and nonliberal values (Wiles, 1968).

Taking these initial limitations into account, Bretton Woods multilateralism in development finance had four components. First, it acknowledged public responsibility for development and was backed by (creditworthy) states. Second, WB membership was open to all states acknowledging this governance feature. Third, decision-making rules gave a voice to both debtor and creditors countries and created a common sense of responsibility. Finally, WB management was comparatively independent of national governments, focusing on low-risk profitable lending, and, as a result, able to generate lendable capital on financial markets (Humphrey, 2014). The regime complex would become incoherent if development financing became more transnational, giving private actors similar rights and duties, or more exclusive, restricting state membership based on narrow political or economic grounds.

Legalization is the second governance feature of the system. According to Abbott et al. (2000), legalization describes institutions defined by obligations, precision, and delegation. The WB featured such obligations by formally binding its members to provide paid-in capital, guarantee callable capital, and support the collective effort to mobilize development finance. It defined the purposes of this finance and formalized the conditions under which it could be provided. Similarly, the WB formalized its project lending approach, stipulating the rules on project application, appraisal, implementation, and evaluation. This has contributed to legalizing multilateral development finance as the key principles, including project supervision, end-user controllability, international procurement, and conditionality became formal rules (Bradlow & Fourie, 2013). Overall, the system developed in Bretton Woods went beyond ad hoc informal development finance and established a formal organization with a legal mandate and an independent bureaucracy to implement its rules. The regime complex would become incoherent if these formal rules of international lending and formal loan agreements were no longer implemented by formal international institutions, turning to informal institutional designs, practices, and procedures.

Focality defines the extent to which IOs are the single and uncontested governance leader in an international policy space (Abbott et al., 2015, p. 24). This implies two possible scenarios. The first describes a situation in which an organization is the primary governance actor in a given policy field. In this situation, an IO is free to implement its mandate because there are no other actors capable of playing a meaningful role. The second scenario describes a situation in which a policy space is populated by more than one relevant actor but these actors acknowledge the superiority of one organization. In this scenario, an IO can still be focal because other actors in the field accept the governance features of the focal IO, aim to cooperate with it, and try to learn from the focal IO's expertise.

In Bretton Woods, the WB was deliberately created to be *the* focal IO managing multilateral development finance. Incoherence in the field could have emerged from the United Nations (UN) specialized agencies. Both the WB's AoA and the UN Charter require the WB to cooperate with these bodies. Yet, the Bank was fearful that too close a relationship with the UN would subject it to undesirable political influence and hurt its credit ratings. Hence, WB management used its financial independence and growing expertise to negotiate a general cooperation agreement with the UN, which declared WB independence rather than establishing UN superiority (Mason & Asher, 1973, p. 58). On this legal basis, the WB became focal in the UN system of development. Cooperation took place in technical assistance and project preparation. Because borrowers often did not have the expertise to develop projects fit for WB financing, UN specialized agencies and the WB cooperated in pre-investment studies. Often, the WB took the lead, financing and implementing these studies, whereas UN experts provided occasional support on topics such as agriculture and education.

This high focality, together with its strong financial capabilities, gave the WB important first-mover advantages, consolidating its prominent role and governance features for the decades to come. First, the organization employed highly skilled experts on higher salaries, hired more consultants, commissioned more studies on developmental topics, issued more publications, and held more seminars than its UN counterparts (Kapur, Lewis, & Webb, 1997, p. 9). Second, the WB Young Professionals program established in 1949 has by now trained more than 1,700 people who went on to hold positions at the Bank or other development institutions (World Bank, 2018). The WB's external education and research program, the

WB Institute was established in 1950. It has trained more than 39,500 people from developing countries and other international development institutions (World Bank, 2008).

Third, in addition to these educational facilities 'by which it can act as a focal point for the study and discussion of development problems' (World Bank, 1955, p. 25), the 'Bank wishes to make its own knowledge and expertise in the development field as widely available as possible' (World Bank, 1967, p. 17). To this end, it began publishing scientific reports and disseminating its data to member states and IOs (World Bank, 1973, p. 67). This early investment in knowledge and expertise, its financial independence, and the limited number of competitors in the field made the WB a respected provider of development expertise able to define and shape the features of the system (Clemens & Kremer, 2016; Park & Vetterlein, 2010). A fundamental change in this feature of the system would require other MDBs to openly compete with the WB, trying to promote a concept of development that conflicts with that of the WB.

Market Embeddedness is the final governance feature. It describes the idea that international institutions define a set of rules but give governments room for maneuver to intervene and cushion the cycles of private markets (Helleiner, 2019; Ruggie, 1982). In the case of multilateral development finance, this implies that states are provided with both financial resources and political leeway to implement economic development strategies. These strategies need not necessarily follow a purely Keynesian economic model. Yet, they should embrace the role of the state in economic development. Purely neoliberal approaches focusing exclusively on the wisdom of markets are beyond the notion of embeddedness.

The WB was envisioned as embodying this framework in two ways. First, the organization was designed to channel capital to countries with limited access to private markets. This was intended to empower developing countries to pursue state-led development strategies (Helleiner, 2014). Second, the WB's decision-making structure and loan conditionality aimed to ensure that development interventions were in line with donor and WB management preferences on how best to advance economic development (Gilbert & Vines, 2000).

During its formative years, the WB implemented a narrow version of this governance feature. When the organization opened its doors, management began working on its development tasks from a rather blank slate. Beyond a vague task description, such as the provision of resources for 'the development of productive facilities' or 'productive purposes' (World Bank, 2012: Art. 1), the AoA were silent on the allocation of resources. Neither specific countries, nor sectors, or other specifications of how to define and achieve development were provided. Similarly, there was scant guidance from the fledgling discipline of development economics, or from a body of widely accepted procedures and practices (Kapur et al., 1997, p. 93). Hence, management had wide discretion in interpreting its mandate. The second president McCloy and his successor Black used this discretion to secure funds for the Bank by convincing private investors that 'its loans will be sound business risks' (World Bank, 1947, p. 15). WB management embarked on this task in two ways.

First, lending focused on projects and sectors that were considered economically sound and productive, producing earnings that would help repay the loan. As a result, early WB development lending was overwhelmingly directed toward capital infrastructure, including railways, communication facilities, power plants, and ports, excluding other sectors, such as agriculture, education, and human development (Mason & Asher, 1973, p. 134).

Second, the WB not only promoted this approach among the growing community of development agencies and practitioners: its management also went to great lengths to convince the banking community that this approach was creditworthy. In 1946, the WB established a marketing department in New York to promote and launch its bond issues among the Wall Street community, and high-ranking management embarked on a vigorous campaign targeting the investment community.

These early lending practices, the organization's promotional activities, and its success – reflected in AAA credit ratings – defined the field of multilateral development finance, its procedures, and practices for decades (Kapur et al., 1997, p. 116). It entrenched a narrow understanding of embeddedness both among development practitioners and in the investment community, setting a precedent for future MDBs. The regime complex would become incoherent if this feature of project lending for productive purposes was to be replaced, for instance, by an approach restricting rather than enabling developing members to implement their development strategies, or that shifted MDB activities to producing development knowledge instead of financing projects.

These governance features are the benchmark against which the innovations of subsequent decades are to be measured. We can diagnose a coherent system if today's regime complex still acknowledges all four features. A conflictive regime complex would be characterized by a departure from one or more of the features. The more features are rivaled, the more conflictive the regime complex becomes.

Innovations within the World Bank

The WB has experienced a series of transformations. These changes in institutional design and behavior are the subject of a vast literature, which we cannot take fully into account here (for an overview see, for instance, Clegg, 2013; Park & Vetterlein, 2010; Phillips, 2009). Instead, we argue more modestly that these transformations have not substantially challenged the four features of the Bretton Woods system of development finance. While some features have been transformed others have become even stronger and have improved the WB's capacity to spread its features to other MDBs (Kapur et al., 1997; Marshall, 2008; Winters & Kulkarni, 2014).

With time, the *multilateral* character of the WB has become more pronounced. Membership has grown across the globe, making it a truly universal IO with currently 189 member states. Today, public responsibility for development is acknowledged by almost all states (Kramarz & Momani, 2013; Stone, 2013).

Change in this governance feature has been brought about by the more transnational design of the WB. In response to public pressure during the 1990s, the WB became more transparent to the public, more open to civil society organizations, and more accountable to private stakeholders (Heldt, 2018; Park, 2010; Yi-Chong & Weller, 2009). These reforms opened up the WB to transnational influence. However, change was limited and did not result in a conflicting governance feature. Because the rights and duties of private actors are restricted and less formalized, private actors still play a minor role in the operations of the WB.

A similar diagnosis holds for *legalization*. With the creation of the IFC in 1956, the IDA in 1960, the ICSID in 1967, the MIGA in 1988, and with the growing fiduciary management of trust funds, the WB has substantially broadened the scope of its operations and the legalization of multilateral development finance. The IFC has extended the formalized project lending approach of the WB to private enterprises (Bradlow & Fourie, 2013; Mason & Asher, 1973, p. 335–379). With the creation of the IDA, the WB began to expand beyond its narrow focus on infrastructure and thus brought its lending regulations to other sectors, including agriculture, education, and social development, and the sphere of concessional lending to low-income countries (Libby, 1975; Morrison, 2013). Moreover, the WB's management of trust funds, that is to say, earmarked contributions by donor countries to support specific development purposes (Reinsberg, Michaelowa, & Knack, 2017), seems to extend the organization's lending rules and procedures to bilateral development finance.[3]

An especially important innovation, deepening legalization, was the creation of the ICSID. As a legal dispute settlement body designed to resolve conflicts between foreign investors and host governments, the ICSID brought more legal certainty to the system of multilateral development finance (Parra, 2017; Schreuer, 2016). Similarly, the MIGA has contributed to legalization of the field by providing legal guarantees to investors and lenders (Baroudi, 2017).

These innovations have also affected the governance feature of *embeddedness*. Most fundamentally, the creation of the IDA transformed the lending practices of the WB. As IDA resources are provided by member states instead of bond markets, pressure for financial soundness is lower. As a result, WB lending became broader, including agriculture, human development, as well as institution building and good governance. Over time, the WB drifted away from its focus on economically viable infrastructure projects towards more social and political issues (Best, 2014). In this context, Lyne and colleagues (2009) show, for instance, that the share of social projects funded by the IBRD and the IDA has grown from 10% in the 1980s to around 30% in the 2000s. Similarly, Güven (2012) demonstrates that during the 2000s nearly half of WB lending commitments emphasized social sustainability, poverty alleviation, and human development as core objectives. This innovation has deepened the embeddedness of WB lending, since it addressed criticism from the developing world that the WB did not provide funding for projects it deemed necessary.

However, this broader scope was accompanied by more conditionality, a trend that reached its peak with the Washington Consensus (Williamson, 1993) and the WB's structural adjustment lending during the 1980s and 1990s. As the policy conditions attached to WB loans were increasingly shaped by neoliberal ideas focusing on the wisdom of markets and the limited role of the state, including fiscal discipline, cutting subsidies, trade liberalization, privatization, and deregulation, this shift in lending practices clearly limited the embeddedness of the system (Babb, 2013; Biersteker, 1990). Developing states were drawn into a neoliberal economic model that narrowed their room for maneuver instead of broadening it (Rodrik, 1990). During this period, the WB came close to losing embeddedness. However, this period came to a close with the 1990s, and the WB began to restrict its conditionality (Nelson, 1996; Rodrik, 2006).

Over time, the WB has embraced different versions of market embeddedness, some coming close to abandoning this governance feature (Humphrey, 2016). But varying emphasis on market forces or state intervention and on infrastructure financing or the more social dimensions of development, including good governance, health, education, and the environment has not produced a fundamentally different system. Rather, the WB has shifted between different varieties of embeddedness but has not switched to an entirely new paradigm (see also Helleiner, 2019).

The broader scope of lending, accompanied by rapid growth in financial resources and personnel, further empowered the WB (Heldt & Schmidtke, 2017) and thus increased its *focality*. With time, the organization developed a set of mechanisms to shape the field of development finance. First, involved in a broad variety of development projects across the globe, the WB began orchestrating an increasing number of development actors. To this end, it took the lead in various coordinating groups in which governments and IOs coordinate assistance to particular developing countries (World Bank, 1968, p. 18). In these aid consortia, such as the Aid to Pakistan Consortium, the WB set the agenda and invited participants, including regional MDBs like the Asian Development Bank (ADB) (Haas, 1974).

Second, the WB broadened its research activities. Influential publications, including the *World Development Report* and the *Doing Business* reports, made the organization 'the single most important external source of ideas and advice to developing-country policymakers' (Gavin & Rodrik, 1995, p. 332).

Third, the above-mentioned training activities of the WB and its continuous interaction with development practitioners gave the WB a 'tutelage' function through which it could set the agenda and shape the ideas of many actors in the field (Krueger, 1998). For example, in a survey of 6,731 government officials and development practitioners from low and middle-income countries, who were asked to evaluate the influence of 57 aid agencies, the WB was rated as having the highest agenda-setting influence (Custer, Rice, Masaki, Latourell, & Parks, 2015, p. 48).

In sum, the innovations at the WB amount to the transformation but not removal or replacement of governance features. Changes to all four features do not reflect a fundamental departure from the purpose and principles developed in Bretton Woods. This does not imply that many of the changes discussed above did not have important consequences for the design and behavior of the WB. Rather, we suggest that these transformations are compatible with the four governance features envisioned in Bretton Woods.

Innovations in the emerging regime complex

Beginning in the mid-1950s, the Bretton Woods system of development finance and its legacy organization confronted a growing external challenge. Regional coalitions began to establish new MDBs. This development has continued to this day, resulting in a population of 27 MDBs operating in the policy space once the exclusive preserve of the WB. This section describes the formation of the regime complex. Second, it turns to the focality of the WB to show that the organization was directly involved in the design of many new MDBs, that it invested in coordinating the emerging regime complex, and that many MDBs learned from WB experience. Third, we show that these mechanisms have indeed contributed to the coherence

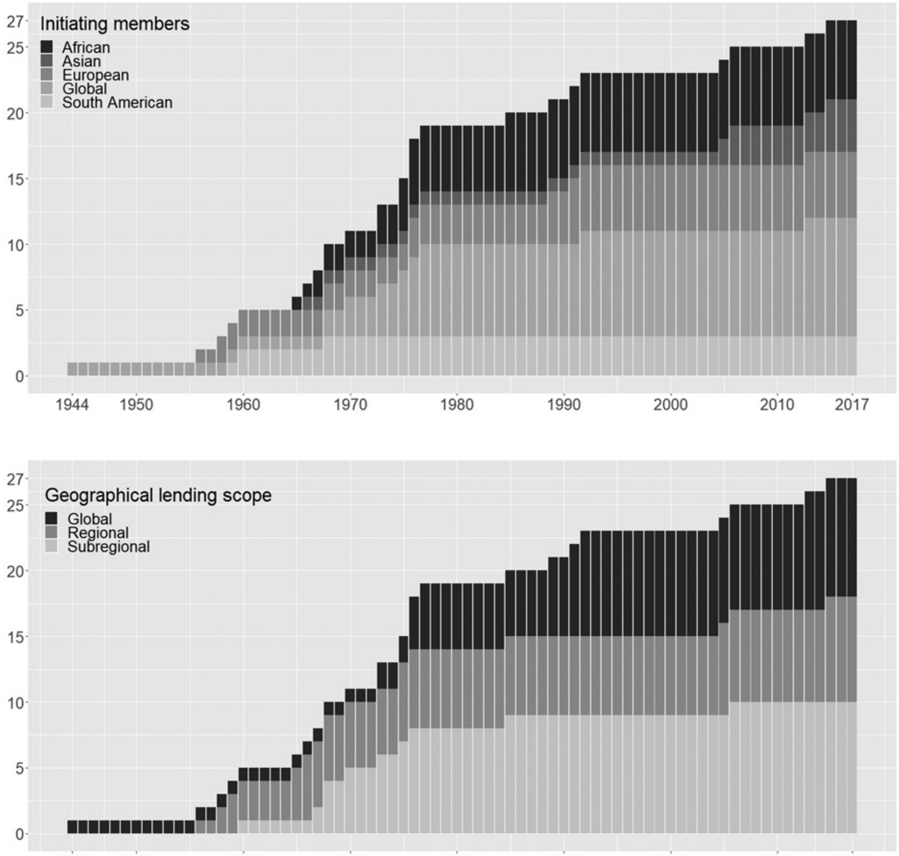

Figure 1. Institutional proliferation in development finance.

of the regime complex by spreading the governance features of the Bretton system to many MDBs.

Figure 1 shows the growth of the regime complex from the creation of the WB to the present (Pratt, 2018a). The upper plot shows the geographical scope of state coalitions forming new MDBs. We define global coalitions as groups of states from two or more continents. The remaining MDBs were designed by regional coalitions from one continent. The lower plot classifies the same set of MDBs according to geographical lending scope. Globally active MDBs provide support to countries from two or more continents. MDBs with a regional focus support countries from one continent. Sub-regional organizations concentrate on even smaller groups of countries (Delikanli, Dimitrov, & Agolli, 2018). An example of the latter is the Caribbean Development Bank (CDB). Formed in 1970 by Barbados, Canada, Dominica, Grenada, Guyana, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & Grenadines, Trinidad & Tobago, and the United Kingdom, this MDB supports projects in the Caribbean region.

Figure 1 shows that, for more than a decade, the WB was the unrivaled IO in development finance. The regime complex began to emerge in the mid-1950s with the emanation of the Council of Europe Development Bank (CEB) and the

European Investment Bank (EIB) from the European integration process. Over the following decade, coalitions from all major world regions formed similar regional development banks (RDBs). In 1959, states in the Western hemisphere created the Inter-American Development Bank (IADB). It was followed by the Central American Bank of Economic Integration (CABEI) in 1960. The African Development Bank (AfDB) was formed in 1965. The creation of the ADB in 1966 completed this first wave of RDBs (Ben-Artzi, 2016). This first set of MDBs was strongly supported by the United States, being a founding member of the ADB and joining and financing the IADB and AfDB. The hegemonic power of the US during this period should contribute to a coherent set of governance features as the US was already the driving force behind the institutional design of the WB.

During subsequent decades, the regime complex continued to grow. By 1993, states had created 24 MDBs. These additions to the regime complex were more variegated than its predecessors. They include, for instance, the first sub-regional MDBs, like the Arab Fund for Economic and Social Development, financing projects in the Arab region. This more diverse group of MDBs was partly designed to challenge the dominance of Western donors in multilateral development finance. Especially sub-regional institutions, like the Andean Development Cooperation (CAF) or the Eastern and Southern African Trade and Development Bank (ESATDB), aimed to challenge the system (Park & Strand, 2016).[4] This is also reflected in their membership. While the US was a key actor in the creation of the first set of MDBs, it only joined the International Fund for Agricultural Development (IFAD), and the European Bank for Reconstruction and Development.

The final wave of institutional proliferation came during the late 2000s when rising powers took the lead in creating a series of new MDBs. In 2006, Russia together with Kazakhstan created the Eurasian Development Bank. In 2013, the BRICS (Brazil, Russia, India, China, and South Africa) coalition founded the NDB as an explicit alternative to the WB. In 2014, 21 Asian states joined a Chinese-led initiative to create the AIIB, which has since also attracted major non-regional financial powers, including Great Britain and Canada. Since many observers see the AIIB and the NDB as fundamental challenges to the Bretton Woods system and the WB, we return to these two most recent additions to the system in the following section.

Has the WB shaped the coherence of this regime complex by providing a blueprint for the design and behavior of new MDBs? To address this question, we first turn to WB focality within the regime complex. According to our theory, the governance features of the WB should dominate the design and behavior of new MDBs if the WB was able to advocate similar institutional designs, orchestrate MDB lending, and set precedents from which new MDBs learn.

We find evidence for all three mechanisms leading to regime coherence. First, according to the WB's own account presented in annual reports and historical narratives provided by new MDBs, the WB was directly involved in the creation and design of more than one-third of newly created MDBs. This engagement in the design of new MDBs began already during the first wave of RDBs and continues to this day. Already in 1960, the WB reported that it provided 'the IADB with assistance during its organization stage' with the purpose of finding 'future opportunities for cooperation' (World Bank, 1960, p. 7). Similarly, the WB assisted in the creation and set-up of the AfDB to work out arrangements 'for studying and financing possible projects of common interest, as well as for coordinating the activities of the two institutions more generally' (World Bank, 1965: 14).[5] In some cases, including the AfDB, the East African Development Bank (EADB), and the CDB, this early engagement in institutional design and set-up also included the exchange and training of personnel. The WB has, for instance, 'seconded one of its staff members as adviser to the President of the African Development Bank, while two staff members of that Bank are spending a year at the World Bank's headquarters, gaining experience in techniques of development finance' (World Bank, 1971, p. 33), it has 'provided in-service training for staff members of the AfDB and the East African Development Bank' (World Bank, 1973, p. 67), and it has been recruiting staff for the CDB (World Bank, 1970, p. 27). More indirectly, RDBs like the ADB used the WB as a blueprint, for instance, to develop their financial model and lending practices. The principle of financial soundness was thus at the core of the ADB's lending practices because its management had learned from WB experience (White, 1970). These efforts suggest that states forming new MDBs frequently follow the path embarked upon at Bretton Woods, ask the WB for direct input, and use the WB as a blueprint from which they can learn best practices and institutional designs.

Second, the World Bank reports orchestration and coordination activities 'with a number of other international agencies in the field of economic development, helping to avoid duplication of effort and to assure the mutual reinforcement of their independent activities' (World Bank, 1973, p. 65). Overall, we find that 21 of the 27 MDBs have interacted regularly with WB since their creation. During the formative period of newly established MDBs, this interaction has given the WB the power to spread and popularize its governance features due to its first-mover advantages of recruiting talented and experienced personnel. For many issues, the WB has greater embodied experience in the room – people with personal and professional experience of the issue – than most other development agencies (Clemens & Kremer, 2016, p. 64). These coordination efforts range from regular 'exchanges of information and staff visits' (World Bank, 1971, p. 32) and ongoing cooperation between the WB's regional missions and RDBs (World Bank, 1965, p. 15) to formal agreements on the provision of data and information by the WB, such as data on external debt (World Bank, 1968, p. 23), economic reports on countries of common membership, and appraisal reports on Bank projects (World Bank, 1973, p. 67); a broad variety of cofinancing efforts; and even the direct provision of services, including project appraisal and loan administration, to other MDBs (World Bank, 1978, p. 94). This suggests that WB management and member states expect the WB 'to play a large and guiding role in the further improvement of machinery for the coordination of development assistance' (World Bank, 1971, p. 32).

Overall, the WB has shaped the regime complex both directly by assisting the design process of MDBs and orchestrating their behavior and indirectly by providing ideas and information. We now turn to the question of whether these efforts have indeed contributed to the coherent application of the governance features of multilateralism, legalization, and market embeddedness.

A review of membership rules and governance structures shows that the regime complex is strongly shaped by *multilateralism*. First, the vast majority of MDBs has no or fairly limited restrictions on state membership. With the exception of MDBs emanating from regional integration projects, such as the EIB, which is part of the

European Union, or the OPEC Fund for International Development, which is attached to OPEC, and some small sub-regional organizations, MDBs are open to members from different world regions and with different income levels. Second, the governance structure of all MDBs is virtually the same. With minor variations, all organizations follow the design of the WB, including a board of governors, a board of directors, and a relatively independent international bureaucracy. Third, the composition of these bodies is highly state-centric. With the exception of three sub-regional banks (EADB, ESATDB, and BSTDB), decision-making rights are restricted to state representatives. Under these rules, both debtors and creditors have voting rights, thus creating the common sense of state responsibility for development that was also at the core of negotiations in Bretton Woods.

A similar picture emerges for *legalization*. First, all organizations in the regime complex are formal IOs, established by internationally recognized treaties, with a permanent secretariat and other institutionalizations, including headquarters and permanent staff. Hence, more informal structures similar to those identified by Fioretos (2019) in international monetary politics or in global governance more broadly (Vabulas & Snidal, 2013) do not exist in the regime complex of multilateral development finance. Second, like the WB, other MDBs have developed formal rules on their lending procedures and conditions. A review of lending tools and procedures shows that all MDBs have developed formal criteria on eligibility, project and program appraisal, due diligence, and conditionality. Hence, legalization is a strong governance feature in the regime complex. This does not imply that the content of these formal rules is similar across the regime complex. As the following section on market embeddedness shows, lending practices vary across MDBs.

As regards *market embeddedness*, the picture is more diverse. MDBs emphasize different world regions, sectors, and borrowers; provide a variety of financing mechanisms; and demand different levels of conditionality. However, this diversity is in line with the broader understanding of development and market embeddedness the WB developed over time. While the early WB focused on economically sound infrastructure projects, the creation of new lending institutions within the WB and a broader understanding of what shapes development in different social, economic, and political contexts has led the WB to spread its lending across a broader field of sectors and debtors (see above). A review of MDB mission statements, project portfolios, and recent annual reports reveals similar diversity. Today, all MDBs finance development projects in more than one sector. The IADB reports the broadest lending scope with projects in no less than 16 sectors (2017: 6), including infrastructure, trade, social, environmental, and institutional projects. With projects in three sectors, namely infrastructure, agriculture, and social development, the Arab Bank for Economic Development in Africa (2017, p. 18) has the narrowest lending portfolio. The most popular sectors are energy, financial institutions, and infrastructure, as the majority of MDBs reports that the largest share of their funding is directed towards these sectors. The approach of the CEB is rather specific, as it concentrates its lending on supporting small and medium enterprises in creating and preserving jobs (2017, p. 43). However, such direct lending to private actors is also a common feature of the regime complex. Like the WB's IFC, 17 MDBs have established financing facilities that lend directly to the private sector. Overall, the regime complex focuses strongly on project lending for productive purposes; none of the MDBs in the complex has shifted to a radically new approach.

Similarly, MDBs vary in their demand for safeguards and conditionality. While a small set of sub-regional MDBs, including CAF and ESATDB, either does not report the use of such requirements or leaves their concrete formulation and implementation to borrowing countries (Humphrey & Michaelowa, 2013), most regional and global MDBs have established formal conditionality rules. These demands are generally less stringent than the WB's structural adjustment approach. Nevertheless, the vast majority of MDBs does not finance every project application with the assumption that it will automatically contribute to development.

As a result, the regime complex is marked by different varieties of embeddedness in line with the different periods of lending at the WB. The low or no conditionality lending practices of sub-regional MDBs have the potential to undermine WB development goals, leading to a race to the bottom within the regime complex (Pratt, 2018b). However, the general governance feature of market embeddedness is strong and continues to shape the multilateral development finance regime complex.

The AIIB and the NDB: the end of regime coherence?

Many observers claim that the coherence of the regime complex is in jeopardy due to the rise of the China-led BRICS coalition and its aspirations in international development (de Jonge, 2017; Weaver, 2015). Because China and its coalition partners are assumed to have different preferences, the coalition is expected to design international institutions with conflictive governance features. The AIIB and NDB are thus a demanding test for our theoretical argument. Both new MDBs are equipped with the necessary financial resources to become crucial actors in multilateral development finance. Whether they are designed to use these resources to undermine the system or whether the WB has been able to spread its governance features to these potential challengers is addressed in the following section.

To this end we, first analyze WB *focality* for the AIIB and NDB. Was the WB involved in their institutional design? How do the three MDBs interact? Have the AIIB and NDB sought to learn from the experience of the WB? As in WB interaction with other MDBs in the regime complex, we find evidence for all three mechanisms leading to regime coherence. First, the founding documents of the AIIB and NDB indicate that they are designed to cooperate with existing MDBs (Asian Infrastructure Investment Bank, 2014, p. 1–2; New Development Bank, 2014, p. 2–3). This cooperation began already during the design of the two organizations. During a meeting with the WB management, the AIIB President (Asian Infrastructure Investment Bank, 2015) acknowledged:

> '[T]he World Bank has provided advisory and technical support to the Secretariat on a wide range of topics […] The World Bank's generous and timely support has enabled the AIIB to develop a strong policy and governance platform and to poise itself to commence operations early in 2016.'

Similarly, WB representatives noted that the 2016 cooperation agreement with the NDB 'formalizes the Word Bank Group-NDB knowledge partnership that has accompanied the establishment of the NDB' (World Bank, 2016).

Second, this direct input by the WB was paralleled by efforts to learn from WB experience (Lichtenstein, 2018). As a high-level Brazilian official involved in the design of the AIIB explained (as quoted in Serrano Oswald, 2018, p. 3).

> '[T]he AIIB is essentially a copy of the World Bank, only that it is China-dominated. It is a response from China to its lack of weight in the existing institutions, but if you look at not only institutional design but also other guidelines and documents these are all essentially a copy of the existing ones.'

These learning efforts are also reflected in the management of the two organizations. Senior management positions are filled by professionals with previous job experience in the WB and other established MDBs. At the AIIB, five of eight senior management positions are taken by professionals previously employed at the WB, ADB, and AfDB. The AIIB's International Advisory Board lists a number of former members of WB senior management. At the NDB, three of the five senior management positions are occupied by individuals previously employed at the WB or the ADB (Heldt & Schmidtke, 2019).

Third, direct cooperation and coordination between the WB, other established MDBs, and the two potential challengers began during the formative period of the latter. Both MDBs signed memoranda of understanding with the WB and other established MDBs (Shelepov, 2017). These documents reveal that both organizations are open to cooperation with the WB and other established MDBs. The memoranda identify commonalities between the cooperating organizations and respective areas of mutual interest. Building on this common understanding of purposes and mandates, the organizations specify goals and ways of cooperation. These provisions include the exchange of information and knowledge in various areas of institution-building and policy-making, the cofinancing of projects, the exchange of staff, and regular high-level consultations. Notably, the memoranda between the WB and the two new MDBs include explicit sections on advisory services in policy-making and institution-building the WB will offer in the future. Furthermore, regulations on cofinancing stress that respective projects must comply with the standards of the cooperating banks. This cooperation provides the WB with a tool to orchestrate the lending practices and conditionality of the AIIB and NDB.

These cooperation contracts have also been put into practice. Since its foundation, the NDB has financed 22 projects, of which three were cofinanced with other MDBs (New Development Bank, 2018). The AIIB's record is more pronounced. Since 2016, the organization has provided financial support to 32 projects. Of these, no fewer than 21 have been cofinancing endeavors with other MDBs. In 15 projects, the WB was among the cooperating organizations (Asian Infrastructure Investment Bank, 2018). Overall, this shows that the WB has used its focal position to shape the design and behavior of the AIIB and NDB. Whether this role as a provider of expertise helps the WB to introduce its governance features into the new banks is examined in the following.

The regime complex of multilateral development finance is marked by a *multilateralism* that acknowledges public responsibility for development, gives a voice to both creditor and debtor states accepting this basic feature, and is comparatively independent of member states. By and large, the AIIB and NDB embody this governance feature. First, like the WB, the two organizations define their purpose in terms of fostering economic development and thus acknowledge public responsibility for this task (Asian Infrastructure Investment Bank, 2014, p. 1–2; New Development Bank, 2014, p. 2–3). Second, membership rules are similar to those of the WB and most other MDBs as they are open to all states and do not specify exclusive conditions (Kaoutzanis, Poast, & Urpelainen, 2016). The NDB is open to all members of the United Nations (New Development Bank, 2014, p. 5) and the AIIB accepts members of the WB and the ADB (Asian Infrastructure Investment Bank, 2014, p. 3). Third, the governance structure of AIIB and NDB is similar to that of the WB (Wang, 2017). Both organizations are managed by a board of governors, executive directors, a president, a management team, and staff. These bodies have similar rules on composition, powers, and voting rights, thus, reaffirming the rights and duties of both creditor and debtor states (Asian Infrastructure Investment Bank, 2014, p. 21; New Development Bank, 2014, p. 10). Both new MDBs define the board of governors as their supreme governing body, composed of one governor per member, and they delegate authority for day-to-day operations to the board of executive directors. As power-based institutionalist theories suggest, representation and voting rules advantage powerful founding members (Kaya, 2015). While the WB grants reserved seats and additional votes to the members who contribute the most capital, the AIIB and NDB reserve seats for regional and founding members, respectively, and provide these members with additional votes or veto rights. Finally, the AIIB and the NDB are even less transnational than the WB. Membership is restricted to states, and civil society participation mechanisms are informal and restricted to exchanges of information and ideas (Heldt & Schmidtke, 2019).

Despite slightly more exclusive membership rules, the AIIB and the NDB uphold the governance features of multilateralism. Especially the AIIB's rapid growth in membership, including 44 regional and 26 nonregional members, suggests that China and the BRICS coalition do not intend to establish an exclusive system of multilateral development finance.

As regards *legalization*, we have argued that the system is characterized by formal organizations with a legal mandate and formal lending rules and practices. The AIIB and the NDB do not challenge this feature. Both organizations have a formalized mandate, governance structure, and bureaucracy. Their constitutional treaties have a structure and content similar to those of the WB, and lending rules and practices are codified in by-laws, rules of procedure, and similar formal documents. In his detailed comparison of the AIIB and the WB, Wan (2016) shows that both organizations are not only formalized but that the AIIB has drawn directly on the WB AoA. He shows that the majority of regulations in both founding documents are similar and, at times, even use the same wording. Overall, these similarities indicate that neither the NDB nor the AIIB is designed to challenge the governance feature of legalization.

As we have shown above, *market embeddedness* has evolved through innovations both internal and external to the WB. Neither the WB nor its regional and sub-regional counterparts focus exclusively on providing long-term finance for national growth strategies, pursuing industrial modernization via infrastructure projects, as the delegates in Bretton Woods intended. Rather, the approach to multilateral development finance has broadened in two important ways. First, financial support no longer exclusively emphasizes infrastructure programs but includes social development, environmental targets, and good governance. Second, financing via direct loans to governments is accompanied by other instruments, including guarantees and cofinancing initiatives with private actors. The AIIB and the NDB are fully in line with this approach. Despite their public emphasis on capital infrastructure projects, both organizations have a multi-sector lending portfolio that supports state and non-state borrowers. The AIIB reports lending projects in six sectors, including water supply, transportation, and energy as the most frequent areas, but urban development and social projects are also part of the portfolio (Asian Infrastructure Investment Bank, 2018). Of the 32 projects approved by the end of 2018, 28% did not focus exclusively on classical infrastructure projects but on broader issues of human development. Similarly, the NDB reports projects in five sectors, focusing most strongly on transport and energy but also including agriculture, good governance, and sanitation projects (New Development Bank, 2018). Of the 23 projects approved by the end of 2018, almost 35% were directed towards human development and good governance.

Also in line with the WB's application of the market embeddedness feature, these loans are not unconditional. Both organizations have developed environmental and social safeguards that debtors are required to follow in implementing funded projects. While the NDB primarily supports the use of country systems in the management of environmental and social risks (Serrano Oswald, 2018), it has also formulated its own requirements, including, for instance, the protection of minorities and vulnerable groups (New Development Bank, 2016). Even more like the WB, the AIIB uses an elaborate system of safeguards, which even explicitly refers to WB conditionality as a source on which the organization has drawn (Asian Infrastructure Investment Bank, 2016).

Overall, the new development banks appear to be following a path reminiscent of those pursued since Bretton Woods (Kahler, 2016). In contrast to prominent statements by their founders, current institutional design and behavior do not constitute a new type of bank, challenging the Bretton Woods system. Rather, they largely mimic the governance features of the WB (Acharya, 2017). Nonetheless, only the future can tell whether current similarities will indeed translate into a similar functioning of the AIIB and NDB.

Conclusion

Over the past 75 years, multilateral development finance institutions have experienced many changes and innovations both within and outside the WB. The WB has become one of the largest and most influential MDBs within a complex multilateral development system of 27 other banks. Despite these transformations, multilateralism, legalization, market embeddedness, and WB focality structure the design and behavior of the entire regime complex. This article contributes to our understanding of this coherence in two ways: we develop a novel historical institutionalist argument and map out the legacies and innovations in multilateral development finance over time. Our conclusion summarizes the implications of our study for research on regime complexity, institutional design, and power shifts in global economic governance.

Our argument invites two main conclusions. First, institutional innovation and proliferation have not fundamentally undermined the coherence of the multilateral development finance system. Even the AIIB and NDB created under the leadership of China and its BRICS coalition partners adhere to the governance features developed in Bretton Woods.

Specifically, we show that both the WB and newly created MDBs operate along the basic feature of multilateralism as they accept that development is a universal public responsibility, are open to states as members, and give creditors and debtors decision-making rights. Similarly, all organizations in the regime complex embrace the governance feature of legalization. MDBs operate on formal mandates, use codified rules of operation, and implement legalized lending procedures. The feature of embeddedness has been broadened by the WB and other MDBs in similar directions. Bretton Woods delegates had envisioned conditional financial support for government-led large-scale infrastructure projects. In the course of time, this narrow version of market embeddedness has been broadened but not replaced by a fundamentally different approach to international development. Financial support was broadened to social, environmental, and good governance aspects. In addition, private actors have become important cooperation partners for the WB and its regional and sub-regional counterparts. Like the WB, most MDBs attach conditions to their loans. While the stringency of this conditionality has varied across time and MDBs, the general idea that debtors have to adhere to some set of policy requirements to increase prospects of success is strong.

Second, the coherence of the regime complex is best explained by the historical development of the system. When Bretton Woods delegates decided to design one focal MDB, they gave the WB important first-mover advantages, which enabled the organization to spread its governance features to newly created MDBs. First, the WB was born into an environment in which neither established precedents on how to design and operate an MDB, nor widely accepted definitions and practices on achieving economic development existed. In this context, the WB was able to develop these precedents and best practices itself. Second, as the WB's formative period was successful, regional and subregional coalitions became interested in the model. Newly created MDBs followed the WB example and often WB management supported their design and setting-up. Finally, this focality also gave the WB the capability to orchestrate the behavior of newly created MDBs either via direct coordination or because MDBs draw on WB materials to learn from its expertise.

Our study has implications for the literature on regime complexity institutional design, and the BRICS challenge to global economic governance. First, the literature on regime complexity considers coherence as an important precondition for the effectiveness of regime complexes. Yet, focalized regime complexes, like that in development finance, are also likely to spread the pathologies and problems of its focal IO to other components of the regime complex. As the focal IO is often involved in designing new institutions and orchestrating their behavior, newly created organizations can be expected to replicate not only effective but also ineffective and even pathological designs and behaviors. The WB has, for instance, been strongly criticized for its lack of accountability and limited adaptation to its environment (Clegg, 2013; Park, 2010; Weaver, 2008). These features of the focal institution could also travel to other MDBs and thus limit their own effectiveness. This suggests that coherence per se does not guarantee the effectiveness of a regime complex. Future research should focus on the conditions under which effective or pathological features of focal institutions spread through a regime complex.

Second, scholars have argued that regime complexes can generate flexibility, allow for experimentation (De Búrca, Keohane, & Sabel, 2014; Keohane & Victor, 2011), present more opportunities for actors to become involved, and thus increase the likelihood of policy implementation. High regime coherence might limit this innovative capacity. Potentially effective solutions to global governance problems are negated because they do not fit the blueprint and precedents established by the focal IO. As a result, high coherence could help to explain why some regime complexes result in dynamic innovation whereas others are characterized by institutional inertia and what Gray calls 'zombie organizations' (2018).

Finally, the much-discussed challenge of rising powers to the liberal international order might be exaggerated (Ikenberry, 2008; Kahler, 2013). As our results show for the field of development finance, even the BRICS do not fundamentally challenge governance features that are also central to other issue areas of global governance – including multilateralism, legalization, and focality. AIIB and NDB initiatives, formal rules, and policies suggest that rising powers do not seek to replace the current system of global governance institutions by a system based on fundamentally different governance features. While this approach is likely to give the BRICS more power and influence, it seems unlikely to undermine the foundations of the liberal international order.

Notes

1. This complex is a part of the global development system, which also includes national development banks, other bilateral arrangements, and private actors. Our analysis focuses on traditional multilateral lending institutions for development finance, as opposed to a burgeoning group of national and private institutions, including globally active national development banks.
2. Whilst some researchers note the importance of historical development (Henning, 2017; Lesage & Van de Graaf, 2013), the effects of timing, sequence, and path-dependence on the coherence of regime complexes have, to the best of our knowledge, not been explicitly theorized in global economic governance.
3. We thank Tamar Gutner, Chris Humphrey, Bernhard Reinsberg, and our anonymous reviewers for highlighting this innovation at the WB. This is a new field of research and more systematic assessment on the rules that govern trust funds is still lacking.
4. In 2010, CAF changed its full name from the 'Andean Development Corporation' to 'CAF – Development Bank of Latin America'.
5. We have found similar statements for the CEB, EADB, CDB, IFAD, NDB, AIIB.

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