The accelerating global challenges associated with climate change, pandemic risk, and the rise in fragile and conflict-affected states (FCSs) all add to the call for closer cooperation between multilateral partners. The COVID-19 pandemic unequivocally signalled the importance of strong cooperation between partners at all levels - domestic, regional, and global. It is expected that the multilateral community would be able to rapidly and effectively unite forces at the global level in the next emergency episode. This would be a tough task in a world that is also faced with the risk of fragmentation.

Seven insights of multilateral cooperation

1. Comparative advantages enhance cooperation
2. Similarities between institutions benefit cooperation
3. Political context matters for cooperation
4. Governance and culture impact cooperation
5. Formalising mechanisms strengthen cooperation
6. Joint mechanisms amplify cooperation benefits
7. Trusted partnerships expedite crisis response

The 2022 Spring Meetings of International Monetary Fund (IMF) and World Bank Group (WBG) stressed the risks of geopolitical and economic fragmentations that increasingly become a challenge for the international community, with the multilateral system being one of the best hopes for continued global cooperation. There is a loud call for the international system to adapt to new challenges, as the Bretton Woods institutions are about to celebrate their 80th birthday next year. The demand for (as well as supply of) cooperation between multilateral organisations can only continue to grow. This is the most
The recipe for success in cooperation requires International Financial Institutions (IFIs) to tailor their strategies and approaches through learning from the past and from the experiences of others in order to fully unlock the benefits streaming from collaboration. Findings from independent evaluations from multilateral organisations are an important source of evidence-based knowledge that can contribute to the enhancement of collaboration among IFIs.

Seven evaluation insights on unlocking successful cooperation among IFIs

**Strategic-level**
1. Evidence shows that cooperation among IFIs is more likely to be successful when it is grounded in partners’ respective comparative advantages.
2. Building on similarities in institutional mandates, strategic objectives, and geographical presence can also enable successful cooperation.
3. Evidence highlights that, in building successful partnerships, it is critical to understand the role played by the Government in shaping favourable conditions for coherent cooperation between IFIs.
4. The governance structure and organizational culture of IFIs as well as donor priorities play a very important role in determining the parameters and success of cooperation.

**Operational-level**
5. Building on trusted partnerships and leveraging existing cooperation mechanisms to quickly deploy resources at scale is a key ingredient of successful cooperation in times of crisis.
6. Evidence indicates that formalising cooperation mechanisms among IFIs is critical in providing a stable foundation to nurture and sustain effective coordination processes and to help achieve shared goals and objectives.
7. Evidence indicates that IFIs cooperation can get stronger over time as institutions establish joint mechanisms of information sharing, capacity development, monitoring, risk reduction, or financing; better coordination over such areas amplifies the benefits of cooperation in terms of development outcomes.

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1 This includes: African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), International Fund for Agricultural Development (IFAD), International Monetary Fund (IMF), Islamic Development Bank (IsDB) and World Bank Group (WBG).
Evidence shows that cooperation among IFIs is more likely to be successful when it is grounded in partners’ respective comparative advantages.

Organisations can produce better results when addressing different aspects of shared work or objectives that appeal to their relative strengths. This signals complementarity. The benefits streaming from complementarity originate from lower competition and less duplication of work among partners.

Cooperation is stronger when IFIs leverage their own strengths to reap the maximum benefits of cooperation as a public good. The importance of complementarity is especially evident in crisis situations where there is a greater need for harmonized action.

Good cooperation is often associated with IFIs’ complementarity emerging from the additionality provided by each partner.

- For instance, the Evaluation of EBRD’s Investments in the West Bank and Gaza (2022) found that EBRD’s external operations in the West Bank and Gaza were additional to other IFIs. Whereas most of the IFIs’ contribution focused on public sector spending, capacity building, and infrastructure, EBRD complemented their work by facilitating private sector engagement through extending direct loans to corporates and supporting financial intermediaries, energy efficiency, and sustainability.

- Similarly, the Joint Evaluation of Collaboration among the United Nations (UN) Rome-based Agencies (2021) by International Fund for Agricultural Development (IFAD), the Food and Agriculture Organization of the United Nations (FAO), and World Food Programme (WFP) notes the importance of complementarity in cooperation grounded in the additionality of each partner. IFAD’s comparative advantage of providing long-term investments for smallholder agriculture and rural transformation was complemented by the FAO’s technical expertise in global policy issues surrounding food and agriculture, and the WFP’s swift interventions for humanitarian disasters.

Gains from IFIs’ complementarity in cooperation are particularly visible in times of crisis.

- As noted in Addressing Country-Level Fiscal and Financial Sector Vulnerabilities: An Evaluation of the World Bank Group’s Contributions (2021), the WBG and the IMF function better when they leverage each other’s comparative advantages in response to financial or fiscal crises. This allows for bridging mutual shortcomings.

- For instance, while the WBG offered budget support for governance and accountability concerns in Morocco in the wake of the Arab Spring, the Fund facilitated macroeconomic policy dialogue and the provision of contingency financing. In its evaluation of Crisis Response and Resilience to Systematic Shocks (2017), the WBG details how it benefitted from the technical expertise of more focused organizations such as FAO or World Health Organisation (WHO), while providing financing in response to the avian influenza epidemic.

- More recently, the evaluation of the World Bank Group’s Early Support to Addressing the Covid-19 Economic Response (2023) illustrates how WBG worked in cooperation with WHO to benefit from the WHO’s expertise in order to set standards for a COVID-19 response. The WBG effectively cooperated with UN agencies for the joint procurement of goods and services by taking advantage of a streamlined procurement processes of UN agencies.

Cooperation is stronger when IFIs leverage their own strengths to reap the maximum benefits of cooperation as a public good.

Complementarity in cooperation works well when IFI partners offer differentiated support to similar target groups.

- This is exemplified by the Rapid Assessment of the European Investment Bank (EIB) Group’s Operational Response to the COVID-19 Crisis (2021). The report notes that EIB’s and European Investment Fund’s COVID-19 measures were complementary to those of the European Union (EU) as they offered differentiated products, transaction sizes and worked with different intermediary types.
Since cooperation is a means to an end, not a goal in itself, there is no surprise it works best for organisations with similar mandates or at least joint strategic objectives as well as for those based in close geographical proximity. However, the importance of the “boots on the ground” is found to be less pivotal for organisations with stronger cross-institutional communication channels as well as those with higher staff retention.

The same or similar issues that are recognized as critical to the mandates of both multilateral partners are indeed the core areas of cooperation in which the two institutions have complementary contributions to make to bring the greatest returns.

• For instance, climate issues are flagged as an area of good cooperation between WBG and IMF in the Evaluation of the IMF Collaboration with the World Bank on Macrostructural Issues (2020). It is a prime example where IMF has been actively cooperating with the WBG, given the Fund’s focus on the macroeconomic aspects and the Bank’s longstanding work and deep expertise on topics related to the climate.

• In contrast, while the IMF’s preferred approach of targeting social protection to the poor and vulnerable was found to be aligned with the WBG’s approach, it matches less well with the rights-based approach to social protection by the International Labour Organization (ILO) and UN agencies. As pointed out in the Evaluation of the IMF and Social Protection (2017), this difference in strategic objectives poses a challenge to IMF cooperation with such agencies and it may complicate Bank-Fund collaboration going forward as the World Bank moves to adopt the goal of universal social protection.

Still, similarities in mandates and strategic objectives between partners do not always lead to cooperation as other factors are at play.

• For instance, despite many similarities in mandates and strategic complementarities between IFAD-supported projects in Malawi and those by other IFIs, there was not much of multilateral cooperation in that country, even with other UN agencies such as the WFP and the FAO according to the IFAD Malawi Country Strategy and Programme Evaluation (2023). This ultimately meant that the multitude of initiatives supporting similar practices did not lead to a coherent picture of adoption or change in Malawi.

“Boots on the ground” presence by IFIs can help in facilitating good cooperation with each other. Closer geographical proximity between IFIs is found to create opportunities to share resources and services, pave the way for mutual engagement on working groups, in-country pilots, and policy dialogues, grant the space for implementation follow-up, joint trainings, and compensate for human resources gaps, among other benefits.

• The importance of the physical proximity is emphasized by the Joint Evaluation of Collaboration among the UN Rome-based Agencies (2021), which illustrated that although there is a strong potential for cooperation between the FAO, IFAD, and WFP given their similar mandates and institutional proximity, the limited in-country representation of some of these organizations constrains the cooperation. The importance of the “boots on the ground” is also emphasized by the Evaluation of the Assistance of the African Development Bank (AfDB) to Fragile States (2012).

• The evaluation found that partnerships are constrained in country contexts where AfDB does not have a field office. In a fragile state context where AfDB does have a field office, cooperation with other IFIs becomes easier at a strategic level. This message is also recurrent in the Evaluation of the African Development Bank Group’s Support to Its Regional Member Countries in Response to the Covid-19 Pandemic (2022). The report finds that where in-person coordination was possible and complemented by strong government leadership, cooperation between IFIs was stronger. This helped facilitate the formation of a unified response for Covid-19.

"Having ‘boots on the ground’, the local presence of IFIs, helps facilitate cooperation."
Evidence highlights that, in building successful partnerships, it is critical to understand the role played by the Government in shaping favourable conditions for coherent cooperation between IFIs.

Several evaluation reports from the EBRD, AfDB, IMF, and ADB provided evidence that the quality of government engagement is an important determinant in successful IFI cooperation, especially in more fragile and less developed countries.

The state of government leadership is an important factor driving the quality of cooperation between IFIs.

- The AfDB’s report on Lessons on the Effectiveness of Development Partnerships: An Evaluation Synthesis (2019) concurs that in countries with strong government leadership of development coordination, and adequate mechanisms for harmonization and alignment, donor engagement and coordination have been significantly boosted when donors were held accountable.

- Conversely, in countries lacking government leadership, IFI cooperation could lead to risky approaches in maintaining coherence on policy advice and good relations among partners as illustrated in the ADB’s Pakistan Validation of the Country Partnership Strategy Final Review, 2015–2019 (2020). IFI cooperation can play an important role, especially in fragile contexts, conflict, and crisis situations, as they help donors to leverage each IFI’s comparative advantage.

- However, as much as IFI partnerships are perceived as vital strategic tools in conflict zones, their effectiveness was found to be mostly restricted, particularly in middle-income countries, due to their fragmentation and low interest in coordinating aid interventions.

Cooperation between IFIs typically works better when the country’s government capacity is well-developed.

- The evidence from the IMF and Fragile States Evaluation (2018) suggests that in the absence of government capacity to lead IFI collaboration, there was an increase in the duplication of work and wasted efforts among the partners working jointly. In one Technical Cooperation (TC) project in particular, ineffective coordination even led to serious oversight in financial supervision.

- Effective collaboration (on TC project delivery) should involve broad agreement among IFIs on the objectives, tasks, and responsibilities of each partner, but such collaborations are very rare in fragile states. The exceptions were found in instances of collaboration at an immediate post-conflict stage, and to a lesser extent, in the case of multi-donor trust funds.

- Often medium-term development plans are drafted, but they lack the necessary requirements and are therefore insufficient to guide meaningful collaboration.

The quality of government engagement is an important determinant in successful IFI cooperation, especially in more fragile and less developed countries.
Evidence shows that policy incoherence among donors and IFIs often lead to inefficiencies and administrative complexities in partner cooperation.

- As documented in the WBG Evaluation report: WB’s Addressing Country – Level Fiscal and Financial Sector Vulnerabilities. An Evaluation of the World Bank Group’s Contributions (2021), when addressing fiscal and financial sector vulnerabilities, one factor that constrains cooperation between the WBG and the IMF was related to different policies for the country priorities.

- The difference in donor priorities and cycles also imposes a challenge on cooperation. Co-financing and joint supervision with other IFIs may lead to efficiency issues given the need to reconcile different donor cycles and align the timing of funding. Such issues are exacerbated by different policies, financial management styles, and administrative processes, as was illustrated in the Independent Office of Evaluation report Infrastructure at IFAD (2001-2019) (2021).

- The difference in donor priorities may also delay attention to essential issues such as zoonotic diseases and pandemic preparedness, according to the World Bank’s experience during the avian influenza. The WBG Evaluation of Crisis Response and Resilience to Systematic Shocks (2017) explains that it stopped tracking and reporting on avian influenza in 2010 as interest in the agenda had waned in client and donor countries as well as development agencies.

The right structure and prioritization of the governing bodies of IFIs can unlock the pathway to good cooperation.

- According to the Joint Evaluation of Collaboration among UN Rome-based Agencies (2021) of IFAD, FAO and WFP, if cooperation is not a high priority for the governing bodies of IFIs, it will remain under-resourced and may impose administrative complexities for the staff in charge despite the appearance of regular meetings and momentum.

- In this context, the difference in governance structures, organizational cultures, corresponding government counterparts, and business models impose a risk.

Operational-level evaluation insights on unlocking successful cooperation among IFIs

Building on trusted partnerships and leveraging existing cooperation mechanisms to quickly deploy resources at scale is a key ingredient of successful cooperation in times of crisis.

The Covid-19 pandemic provided a useful reminder that establishing good cooperation channels with others before crises facilitates preparedness for emergency episodes as pointed out in several evaluation reports from EIB, EBRD, ADB, IMF, WBG, and AfDB.

Relying on cooperation channels established prior to a crisis episode works best for IFI cooperation in times of emergency.

- For instance, the establishment of a regular policy dialogue between RFA (Regional Financial Arrangements) and IMF in 2016 aimed to facilitate knowledge sharing about crisis prevention and resolution. The Covid-19 pandemic provided a unique opportunity to test these channels of cooperation between the Fund and RFA. According to the IMF’s Response to the Pandemic: Strategy and Collaboration with Partners (2023), the RFAs’ collaboration with the IMF was viewed favourably.

- In the wake of the Arab Spring, Morocco benefited from the World Bank’s budgetary support in areas of governance and accountability that indirectly addressed some underlying fiscal vulnerabilities, whereas IMF took the lead on macroeconomic policy dialogue and the provision of contingency financing to limit external contagion. As explained in the Evaluation of the World Bank Group’s Contributions: Addressing Country – Level Fiscal
and Financial Sector Vulnerabilities (2021), this would not have been possible without solid cooperation channels established prior to the Arab Spring between those two institutions.

Cooperation channels established between multilateral partners in Ukraine prior to the Russian-led invasion of the Ukrainian territory have helped in overcoming some key challenges in building successful cooperation among IFIs.

• Collaboration with partners was strong in Ukraine, where the WBG, IMF, EBRD, the UK Department for International Development, and the US Agency for International Development maintained particularly close coordination prior to the war as pointed out in the Evaluation of the World Bank Group’s Contributions Addressing Country – Level Fiscal and Financial Sector Vulnerabilities (2021).

• This created a good basis from which to proceed with reforms to strengthen financial sector resilience when the political climate became more supportive of reform after 2014. The world remains hopeful that those cooperation channels can resume their work in rebuilding the Ukrainian financial sector.

A key element of successful cooperation is to ensure the platforms to harmonize donor support and its alignment to country needs are solid prior to the emergency episode.

• As flagged, for instance, in the EBRD’s Evaluation Note on the Crisis Response Lessons from other IFIs (2020), better utilization of resources during emergencies requires harmonized support from donors in order to align interventions to the country’s specific needs, improve complementarity, and avoid duplication and missed opportunities. To achieve this, there is a need for greater dialogue among the donors but also multilateral partners to occur prior to the crisis event.

Evidence indicates that formalising cooperation mechanisms among IFIs is critical in providing a stable foundation to nurture and sustain effective coordination processes and help achieve shared goals and objectives.

The formal nature of a partnership can have a positive effect on the probability of its overall effectiveness and success.

• As noted in the ADB evaluation report ‘Effectiveness of Asian Development Bank Partnerships’ (2016), formalised partnership leads to stronger interaction and monitoring. It is also associated with a higher likelihood of a results framework being prepared and more regular progress reporting. In the earlier Evaluation of the Partnerships of the AfDB (2008–2019) (2021), it was established that co-financing through framework agreements involving IFIs generated the highest level of partner collaboration with minimal transaction costs.

• As illustrated in the ADB evaluation paper ‘Tajikistan - Responding to the Changing Development Conditions’ (2014), joint MDB efforts can be used in shaping country strategies. This helps to establish a clear division of labour between partners and supports the development of the government’s aid coordination capacities, including the preparation of national plans and poverty reduction strategies.

• Still, the evidence from ADB evaluation paper ‘Experience with Donor Coordination - The Case of Water Supply and Sanitation in Sri Lanka’ (2017) shows that even in the absence of a formal coordination mechanism, it was still possible to achieve effective coordination between ADB and WBG in joint projects.

Establishing formal ex-ante joint crisis response plans for IFIs can further improve the effectiveness of cooperation between institutions in reacting to future crises. Several WBG reports called for such investments particularly in the context of debt management, given that the World Bank cannot solely manage sovereign debt issues. As almost every WBG global practice is involved in work on one or more dimensions of resilience, there is a need for WBG to ensure knowledge sharing across global practices and adopt an intensive approach to identifying and filling knowledge gaps.

One of the possible ways to formalise cooperation mechanisms is signing a memorandum of understanding (MoU) between partners. MoU is often found to be useful in providing the framework for carrying out, for instance, joint policy dialogue and technical assistance between IFIs. As some case studies from ADB reports showed, the expiration of formal MoU did not diminish the strength of the IFIs partnerships providing encouraging evidence of the longer-term benefits of investing in an MoU between organisations.
Evidence indicates that IFIs cooperation can get stronger over time as institutions establish joint mechanisms of information sharing, capacity development, monitoring, risk reduction, or financing; better coordination over such areas amplifies the benefits of cooperation in terms of development outcomes.

One essential component of strong cooperation between IFIs is information sharing. The harmonization of information sharing among IFIs facilitates the understanding of country needs, boosts the efficiency of financial allocations, and increases additionality by building more tailored responses.

- This insight is supported by the IMF’s Response to the Pandemic: Strategy and Collaboration with Partners (2023). As noted there, in a situation as complex as the Covid-19 pandemic, IFIs initially faced the challenge of coordinating the extent and country beneficiaries of their support as information about other IFIs’ commitments was lacking. The report warns that, if not addressed, such a lack of coordination may lead to an unbalanced distribution of funding among countries. While reviewing collaboration across multinational institutions during the pandemic, the report found that most of the reviewed institutions’ pandemic response plans did not rely on a demand-informed focus due to the lack of available information.

- This demonstrates the need for shared monitoring and reporting frameworks across institutions. On this note, in the IMF Collaboration with the World Bank on Macrostructural Issues (2020) report, one element obstructing cooperation between the Fund and the WBG is constituted by challenges with knowledge sharing. A difficulty before IMF-World Bank cooperation is identified as gaining access to each other’s documents and knowledge base.

Evaluation evidence also suggests that IFIs’ cooperation can be strengthened through joint due diligence, monitoring, and reporting.

- This is pointed out by the EBRD’s Projects Supporting Cross-Border Connectivity (2020) report. The report notes that IFI collaboration on mega-projects may also work towards producing joint due diligence and environmental social performance monitoring mechanisms over time.

- The evaluation of the Trans Anatolian Natural Gas Pipeline EBRD Project notes that it benefitted from cooperating with the World Bank over due diligence as a project late-comer. This expedited the process of project approval. Similarly, for the same project, it is stated that the Asian Infrastructure Investment Bank (AIIB) benefitted from EBRD’s coordination on environmental and social performance. Cooperating on such dimensions helps reduce risk and facilitates the implementation of the projects.

Co-financing as a tool to facilitate better cooperation among partners. In the Infrastructure at IFAD (2001–2019): Evaluation Synthesis, IFAD notes that co-financing is a critical way to leverage IFAD funds in infrastructure. Co-financing cooperation among IFIs is viewed as essential to address the rural infrastructure finance gap. Yet co-financing also comes with its own challenges. In its evaluation titled Experience with Donor Coordination: The Case of Water Supply and Sanitation in Sri Lanka (2017), the ADB notes that parallel co-financing is a preferred arrangement in the water supply and sanitation sector. However, additional time is required for project design and implementation, which may increase the burden on staff.

The harmonization of information sharing among IFIs facilitates the understanding of country needs, boosts the efficiency of financial allocations, and increases additionality by building more tailored responses.
References

Introduction

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