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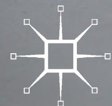
Shareholders, Stakeholders, and the Politics of Concessional Lending

Liam Clegg



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Liam Clegg

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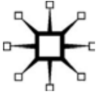

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For Rachel

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Preface

This book draws together research undertaken while in the Department of Political Science and International Studies (POLSIS), University of Birmingham (2007–10), and the Department of Politics, University of York (2011–12). There are many people whose input helped make this extended period of time a highly enjoyable and fruitful experience, and I would like to take this opportunity to express my thanks to them.

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Abbreviations

ARMS	Africa Results Monitoring System
CAS	Country Assistance Strategy
CSO	Civil Society Organisation
DDI	Data Dissemination Initiative
DEC	Development Economics Vice-Presidency
EFF	Extended Fund Facility
ESAF	Enhanced Structural Adjustment Facility
GAC	Governance and Anti-Corruption
GDDS	General Data Dissemination Standard
GRA	General Resources Account
HIPC	Heavily Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IEO	Independent Evaluation Office
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IO	International Organisation
IPE	International Political Economy
MDG	Millennium Development Goals
NGO	Non-Governmental Organisation
OPEC	Organisation of Petroleum Exporting Countries
PA	Principal-Agent
PBA	Performance-Based Allocation
PRGF	Poverty Reduction and Growth Facility
PRMPS	Poverty Reduction and Economic Management Network's Public Sector Group
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
PSIA	Poverty and Social Impact Analysis
ROSC	Reports on the Observation of Standards and Codes
SAF	Structural Adjustment Facility
SAL	Structural Adjustment Loan

SDDS	Special Data Dissemination Standard
SDR	Special Drawing Rights
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Emergency Fund
WDI	World Development Indicators
WDR	World Development Report

1
Introduction

The World Bank and International Monetary Fund (IMF) are looming figures in the field of international development. Since the Bank's move into concessional lending back in the 1960s, and the Fund's ramping up of its low-income country lending in the mid-1980s, these international organisations (IOs) have become increasingly central actors in the global development industry. With research departments that are well resourced and highly regarded by policy-making elites, the Bank and Fund are purveyors of agenda-shaping expertise; with their control over vast reserves and flows of finance, they are providers of large volumes of money to governments with limited alternative means of accessing international currency. Owing to the high visibility of the World Bank and IMF's dealings with low-income countries, much ink has been spilt analysing the operations of these institutions. However, despite – or perhaps because of – the quantity of existing work, heated disagreement remains around an issue of foundational importance: *who controls the World Bank and IMF?*

Answers to this question tend to cluster around one of three poles. Analysts see either the long arm of the US directing the organisations' activities (e.g. Wade 2002, Andersen et al. 2006, Stone 2011), a transnational elite serving to advance both the reach of global capitalism and the interests of global capitalists (e.g. Cleaver 1989, Cammack 2002, Cammack 2004, Rogers 2012), or staff whose high levels of expertise buys them considerable autonomy when working out how they should approach their broad mandates (e.g. Barnett and Finnemore 2004, Woods 2006, Weaver 2008, Chwieroth 2010).

The analytic framework advanced through this book is different. By taking staff's understandings of their operating environment as the point of entry when examining the institutions, I explore the dynamics of shareholder and stakeholder control at the World Bank and IMF. Rather than being defined through *a priori* methodological commitments, the aspects focused on reflect the pressures as experienced and negotiated by staff themselves. Through my study I demonstrate that, on the one hand, state actors are working to tie the organisations' output evermore tightly to poverty reduction, as measured by the Millennium Development Goals (MDGs) and social spending levels at the Bank and Fund, respectively; on the other hand, both organisations have made a range of moves to incorporate domestic stakeholder groups into decision-making processes, though more extensively so at the Bank than the Fund. The manner in which these contrasting dynamics continue to evolve and interact is the core *problematique* on which this study is focused: this, in short, *is* the politics of control at the World Bank and IMF.

The politics of control is undoubtedly a hot topic for the Bretton Woods Twins. For many years the IOs have faced criticism from member states that they are unresponsive to demands for change. In spite of their seats on the organisations' Executive Boards, state representatives commonly share a frustration that they are unable to shape the operational contours of what are seen as unwieldy bureaucratic beasts. Indeed, former top officials from both of the Twins have in recent years resorted to 'going public' with their insights; partly motivated, one would assume, by a need for post-Washington catharsis (e.g. Evans 1999, Malloch-Brown 2011). In addition to this frustration at the top table, non-state actors have become increasingly vocal about their anger over their exclusion from the Bank and Fund's decision-making processes. The accusation that these IOs serve to subvert domestic political processes and extend the marginalisation of domestic actors has been at the core both of high-profile non-governmental organisation (NGO) critiques (e.g. Bretton Woods Project 2009, SAPRIN 2009) and of the street-level protests accompanying high-profile Bank and Fund interventions (Walton and Seddon 1994). Indeed, as recent – and repeated – demonstrations in Ireland and Greece have shown, such feelings are by no means confined to low-income country populations. And given the 'new intrusiveness' of the Bank and Fund's activities, with their focus on evermore

intricate tasks of economic, social, and political reform (Woods and Narlikar 2001), this twin-tracked pressure for more effective mechanisms of control is likely to only increase.

In this introductory chapter, I outline the core contributions made by this book to the study of IOs and international political economy (IPE). In the opening section, I explain the significance of the shareholder–stakeholder framework at the centre of analysis. In a shallow sense, by drawing on terms that are widely used by actors in and around the organisations themselves, this typology represents something of a 'common sense' ordering structure. However, in a deeper sense, by acknowledging the constitutive role of intersubjective understandings, this book develops a burgeoning strand of constructivist literature on contemporary IPE; to paraphrase Blyth (2003), structures of global economic governance don't come with an instruction sheet, what matters is how agents 'make sense' of their environment. Building on these foundations, the second and third sections of the chapter situate the dynamics focused on in this study within extant models of control in IOs. After reviewing the core components of the main rationalist approaches to understanding dynamics of control in IOs, I outline the attempts that are currently being made by sociological models to endogenise interest formation into models of IO control. In the fourth section I demonstrate the value of bridging between the two broad strands of IO scholarship reviewed. By so doing, we are able to see that structurally important actors' use of material incentives and monitoring frameworks constitute important mechanisms of control in the Bank and Fund's concessional lending activities, but that norm entrepreneurs' influence over diffuse mechanisms of ideational change allows for a parallel (albeit subtle) form of influence to be exercised. This flexible analytic framework allows for the detailed dynamics surrounding both shareholder attempts to lock in effective performance and the steady movement towards greater stakeholder engagement to be fully captured. The fifth section of the chapter introduces the move contained in the book to engage with normative theorising on global governance, which lays the groundwork for the reflections that are presented in the concluding chapter of the book on the desirability of the dynamics of shareholder and stakeholder control examined. Finally, in the sixth section of this chapter I present an overview of the remaining chapters of the book.

1.1. Locating shareholders and stakeholders at the World Bank and IMF

The organising framework around which the main body of the book is structured comes from the shareholder–stakeholder dichotomy. Outside of IPE, the terms sit at the centre of an established body of literature. These categories have their modern roots in the fields of Business Studies and Accounting where, back in the 1990s, they became increasingly mainstream concepts. In this context the dichotomy was used to explore the tension between the formal obligation of corporations to act first and foremost in the interests of their shareholding owners and the growing informal pressures that they were under to implement 'corporate social responsibility' policies to protect wider stakeholders (Wood 1991, Vershoor 1998). This literature and these concepts generated intriguing paradoxes for mainstream economic thought over the relationship between individual and collective interests, which served to test the limits of belief in the capacity of market mechanisms to maximise the social good. Milton Friedman (1970), in an early foray into the topic, outlined the 'Gordon Gekko' end of the continuum by declaring that 'the social responsibility *is to increase profits*';[1] later contributors, more mindful of the potential for persistent shareholder–stakeholder misalignment through deep-seated market failure, sought to explore strategies through which negative social and environmental externalities could be internalised through price mechanisms (Stern 2008).[2] However, in the shadow of these grand debates, the terms have not gained great traction in the field of IPE.

On a superficial level, the reason for the adoption of the shareholder–stakeholder terminology in this study appears to be somewhat prosaic. Quite simply, in their everyday language, Bank and Fund staff use these terms; shareholders and stakeholders are part of the organisations' shared lexicons. In broad terms, shareholders are taken as referring to the representatives of the Bank and Fund's major creditor states, in particular as embodied in the form of the institutions' Executive Directors. Stakeholders are understood as a more amorphous grouping, consisting of an unsteady mix of domestic trade unions, business organisations, academics, and select transnational advocacy networks (IMF 2003: 1–3, World Bank 2004c: 1). Beyond their common usage by staff, the shareholder and stakeholder terms are also a prevalent feature of the official media

through which the IOs represent themselves in the outside world[3]; though with contrasting levels of intensity and different beliefs about the optimal form of the relationships, shareholders and stakeholders are the key communities to whom the Bank and Fund profess to have a significant institutional responsibility.

Following the lead of Adler and Poulliot (2011), the approach adopted here is to aim to enhance our knowledge of key dynamics in world politics by focusing on what practitioners do and how they understand their environments. The shareholder–stakeholder classification, then, provides a useful point of entry through which to explore important dynamics of control within the Bank and Fund. Indeed, by drawing on intersubjective frameworks used by actors to navigate their social environments, this typology serves to draw upon the evolving methodology of constructivist political economy. In contrast to the analytic approaches within IPE that hold an unproblematic relationship to exist between researcher and the social world, the foundations of the constructivist approach stand on the very problematisation of this relationship. For constructivist scholars, rather than being a pre-existing and unitary entity waiting to be studied by the political analyst, the social world is in a fundamental way constituted by actors' beliefs (e.g. Wendt 1999, Rosamond and Hay 2002, Blyth 2003, Widmaier et al. 2007). By seeking to explore both elements of continuity and change in the conceptualisation of shareholders and stakeholders at the Bank and Fund and the evolving mechanisms in which these groups' relationships with the institutions are manifest, this book contributes to the developing constructivist approach. Given the existence of formalised rules in relation to voting power and stable patterns of access to supplementary finance, there is a large degree of stability in the shareholder grouping in both the Bank and the Fund; however, beliefs about the appropriate form of the relationship between the institution and stakeholder groups has shifted significantly over time in both organisations (albeit in a more dramatic manner at the Bank).

1.2. Models of control in international organisations: The rationalist pathway

In exploring the evolving dynamics of shareholder and stakeholder control that run through the concessional lending operations of the World Bank and IMF, the book provides a departure from established

approaches to the analysis of IOs. In order to develop a comprehensive understanding of the dynamics that reside within the shareholder and stakeholder relationships at the Bank and Fund, it is necessary to draw on analytic frameworks that highlight both the material and the ideational components of control in the world of IOs. Control over money and control over ideas are both significant factors in shaping shareholder and stakeholder dynamics; by flexibly integrating rationalist and constructivist insights (more on which in the following section), an analytic approach can be established that captures these nuanced relationships.

While debates continue over the extent to which rationalist understandings have dominated scholarship on IOs and on IPE more generally (cf. Frieden and Lake 2003, Cohen 2007, Higgott and Watson 2009, Maliniak and Tierney 2009, Weaver 2009), it is widely agreed that core rationalist assumptions have shaped a significant body of work through the history of the sub-field. By briefly reviewing the neo-realist, neo-liberal, and principal–agent (PA) approaches to understanding issues of control in and around IOs, I both provide a snapshot of this important strand of literature and draw out the insights that are used to inform the understanding of the dynamics of control surrounding the World Bank and IMF's concessional lending activities in this study.

At the outset, it is necessary to be clear about the understanding of 'rationalism' that has been adopted. At its very broadest, rationalism has been identified with the tenet that 'when faced with several courses of action, people usually do what they believe is likely to have the best overall outcome' (Elster 1982: 22). While assumptions about ranked preferences and utility maximisation are commonly taken as markers of rationalist work, here I include IO analyses that bracket out questions of interest formation from the focus of analysis. By holding interests to be static features of agent interactions, the rationalist frameworks reviewed highlight the processes through which material power and calculations regarding partners' likely behaviour shape outcomes in the world of IOs. In the early phases of the development of the sub-field (typified by the neo-realist and neoliberal paradigms), IOs were commonly conceptualised as something akin to 'empty shells'; arenas in which state actors came together to engage in iterative rounds of strategic bargaining, and where security concerns were generally never far from mind. With the emergence of

the PA framework, a more direct analytic focus has been placed on the question of what controls IO behaviour and how.

The neo-realist approach is most closely identified with the work of Kenneth Waltz (1979), whose major contribution to the field was to advance a structurally based understanding of international politics. Whereas earlier figures associated with the realist school relied upon explanations of state behaviour that were ultimately grounded in assumptions about the immanent characteristics of human beings, Waltz moved to situate the anarchic nature of the international system as the key explanatory factor. Given that in the international sphere there was no central authority with the autonomous capacity to enforce common 'rules of the game', state actors were for Waltz compelled to compete with each other in order to enhance their capacity to provide security. As such, states' interactions were characterised as strategic games, with both parties seeking to secure outcomes enhancing their power relative to competitors. And with Waltz' structuralism seeking to incorporate additional variables such as the prevailing balance of power into its explanatory framework, central neo-realist assumptions were incorporated into the burgeoning IO-focused research agenda through the 1980s.

The 'take home' message from neo-realist analysts at the time was that structural constraints made the achievement of international cooperation highly problematic. Joseph Grieco (1988: 485) outlined these 'limits of cooperation' starkly:

> International anarchy fosters competition and conflict among states and inhibits their willingness to cooperate even when they share common interests.... International institutions are unable to mitigate anarchy's constraining effects on inter-state cooperation.

The core issue for neo-realists is that because violence (or the threat of violence) is a constant feature of interstate relations, competition is hard-wired into global politics. Translated into the world of IOs, the neo-realist framework predicted that permanent structures would be difficult to establish in relation to any issue area with either a direct or an indirect bearing on security concerns. Moreover, it was assumed that a state would 'decline to join, leave, or sharply limit its commitment to a cooperative agreement' if it believed that partners

either were achieving or were likely to achieve a relative advantage over themselves (Grieco 1988: 499). Given these severe limits on the extent to which cooperation could be achieved and maintained over time, for neo-realists the state was destined to remain the primary unit of analysis for scholars of international politics. With *a priori* theoretical commitments leading to the conclusion that IOs would remain of little significance, the question of who controls these arenas was situated as a lower-order issue on the neo-realist research agenda.

In parallel to the neo-realist approach, through the 1980s and 1990s the neo-liberal paradigm provided a second pole around which IPE research was oriented. The two approaches were often identified in oppositional terms, and indeed this period is commonly characterised as the 'neo–neo debate'. In contrast to the somewhat pessimistic conclusions reached under the neo-realist framework, findings generated by a collection of neo-liberal scholars suggested that comparatively greater possibilities existed for international cooperation. Though sharing a broadly structuralist interpretation of international politics, by re-framing the nature of anarchy the limits placed on cooperation by this systemic feature were substantially reduced.

For neo-liberal scholars, the conceptual starting point remained the anarchic nature of the international system; in contrast to domestic politics, the international sphere was still seen to lack a central Leviathan figure to act as an arbiter of last resort. However, in the light of an apparent proliferation in the number of binding multilateral agreements and the increasingly visible presence of IOs across many issue areas, neo-liberal analysts sought to downplay the prevalence of security concerns to state actors. By conceptualising state representatives as acting on the basis of absolute utility calculations rather than considerations of relative power distributions, the potential space for cooperation was significantly enhanced. From this starting point, neo-liberal scholars proceeded to explore the contextual factors affecting states' levels of cooperation. In doing so, a number of conditions were identified that were thought to aid the emergence of international cooperation (Haas 1980, Axelrod and Keohane 1985, Oye 1985, Keohane 1998). First, by forming iterative relationships, actors' levels of mutual trust can be enhanced. This, ultimately, can help transform the calculations made by state representatives in

different game contexts; by developing a history of 'doing the right thing' in situations characterised by the prisoner's dilemma or stag hunt scenario, partners will become evermore relaxed about committing to cooperate in future events. Second, by visibly increasing the costs incurred by one's own defection from an agreement, partners will calculate that the chances of one's cooperation are increased and accordingly adjust their own behaviour. Third, by collating a range of issue areas into one single 'take it or leave it' bundle, issue linkage can be an efficient means of raising the cost of defection on all parties. Moreover, for neo-liberal scholars international institutions were considered to be potentially significant features of global politics. Robert Keohane (1984), in particular, argued that international institutions provided a holistic mechanism through which the likelihood of effective cooperation could be maximised. By serving to aid the establishment of clear rules and locking in automatic sanctions for defections from agreements, formalised IOs can substantially alter the environment in which state interactions take place.

However, while accepting that formal organisations can become a salient feature of international politics, neo-liberal scholars continued to conceptualise them as 'intervening variables' rather than as sites of primary interest. Even when occurring through IOs, state interactions continued to be understood as strategic opportunities to deploy material power in order to maximise individual payoffs, with side payments and credible threats being used to advance (narrowly conceived) self-interest (Krasner 1982, Oye 1985, Fearon 1998). Although analysts sought to explore the ways in which actors' effective use of bargaining power in initial negotiations could serve to shape decision-making processes and rule-enforcement procedures to maximise future returns, attention on the extent to which state representatives were able to control the detailed operations of IOs remained limited. Over more recent years, however, a discrete literature seeking to explore these issues in detail has begun to emerge.

This analytic refocusing has come with the application of the PA framework to the study of IOs. PA analysis was originally developed within economics and public policy analysis, where the approach was used to analyse situations in which a delegating authority (principal) contracted an outside party (agent) to perform an activity on its behalf (Radner 1981, Rogerson 1985, Braun

2008). The PA framework has entered IO scholarship through the transmission belt of analyses of US domestic politics. In particular, seminal works in US political economy, including those seeking to explore how effectively the US legislature was able to control the behaviour of the Federal Trade Commission and the Securities and Exchange Commission (Weingast and Moran 1983, Weingast 1984), provided core points of reference around which the PA approach to the analysis of IOs has been structured (see Hawkins et al. 2006).

The PA approach to the analysis of IOs is driven by a desire to investigate a fundamental tension at the heart of the relationship between state-principals and their IO-agents. On the one hand, it is assumed that states stand to reap significant benefits from the act of delegation. Not only does delegation facilitate specialisation and generate efficiency gains; in the world of interstate relations, a selection of further benefits are ripe for the picking. The environment provided by IOs, for example, can enhance member states' capacity to take collective decisions, provide mechanisms for resolving disputes, and enable advocates to secure a policy agenda against backsliding (Lake 2006: 342–44). On the other hand, in order to realise these gains, states must be able to effectively manage the IO. This task, for the PA approach, can be highly problematic. States face an ever-present danger of 'agency losses', which are incurred both when an IO follows a course of action that is against the desire of their principals, and when the state actor is forced to expend additional resources in order to rein in the dysfunctional tendencies of IOs (Pollack 2003: 134–36). State actors are seen to have an array of tools at their disposal with which to manage IOs, which begin with the crafting of the mandate as represented by the Articles of Agreement. Further down the line, control over strategically important appointments and promotions at the IO can be used by states to ensure that their views are adequately represented (Hawkins et al. 2006: 26–31). And material power matters: the ability of principals to control the resource base of an IO, particularly through the provision of supplementary finance, is an important mechanism for securing compliance (Gould 2006a). But in order for states to be able to utilise the various incentive-based tools at their disposal, they must first overcome a significant hurdle: the existence of asymmetric patterns of information.

The issue of asymmetric information refers to the problems faced by states when trying to monitor the behaviour of the IO-agent. The task of tracking the activities of an IO is, at the best of times, difficult. IOs are by nature complex bureaucratic organisations, and their outputs tend to be not readily amenable to formalisation in detailed contractual arrangements. It is hard to imagine how it would be possible, for example, to measure the overall success of the World Bank in fostering global development, or the contribution of the IMF to stability in the global monetary system. Indeed, it has been suggested that this inability to establish a clear metric for measuring IO performance 'prohibits the principal from writing an optimal contract to control the agent' (Hawkins et al. 2006: 24). However, within the Bank and Fund, shareholder states are currently endeavouring to work around these informational shortcomings in innovative ways. The PA literature has highlighted the tendency, in private and domestic settings, for proxy-indicators to be used in order to circumvent information asymmetries (Whynes 1993, Norman 2004, Grieling 2006). What is of significance is that, at the global level, structurally important actors are now utilising this same technique in order to tighten their grip on the activities of their IO-agents. This is true in relation to the attempts by state representatives to tie the output of the Bank and Fund more tightly around a poverty-reduction metric, and, to a lesser extent, in relation to a range of actors' attempts to push staff to enhance their level of engagement with domestic stakeholders.

In a sense, we should not be surprised by this development. As Scott (1998) has shown, the desire of state bureaucracies to make societies 'legible' – to reduce the complexities of the social world to a handful of indicators that can be reported on and manipulated – is a defining feature of modernist governance. Although they don't come entirely out of the blue, these developments are nonetheless worthy of note. These attempts to monitor and manipulate the Bank and Fund's contribution to poverty reduction and degree of stakeholder engagement constitute key mechanisms of control in these important arenas of global economic governance. These dynamics are returned to below, after the constructivist insights into mechanisms of control in global governance (insights which, as we shall see, serve to complement core aspects of rationalist understandings) are first explored.

1.3. Models of control in international organisations: The constructivist pathway

A defining feature of constructivist analyses has been the desire to open up the 'black box' of IOs to explore the detail of their internal dynamics. Taken together, constructivist works have sought to outline the processes through which IO actors, by shaping the way an issue is 'seen' by global policy makers,[4] are able to remain in control of their institutional environments. The line of scholarship viewing IOs as autonomous agents in global politics goes back to Raymond Vaubel's (1983, 1991, 1996) conclusions regarding the inherent 'empire-building' tendencies of IO staff. And while many different policy areas and IOs have been explored by scholars adopting the approach, constructivist works are united by their shared focus on the intricate processes through which understandings of policy problems emerge and evolve in global economic governance.

Constructivist scholarship came into the mainstream of IPE and the study of IOs during the later years of the 1990s. In the fiftieth anniversary edition of *International Organization*, a collection of ideationally oriented scholars edited a special issue in which calls were made to re-orient the direction of mainstream research. In the collection, John Ruggie (1998: 855–56) highlighted the 'serious blind spots and silences' that resulted from the 'postwar academic aversion to idealism', while Martha Finnemore and Kathryn Sikkink (1998: 888) outlined the sketch of a research agenda aimed at advancing our understanding of 'norm life-cycles'. Notwithstanding the differences between contributors in terms of focus and conceptual framework drawn upon, these works presented a cogent challenge to the deeply ingrained assumptions of rationalist approaches. Whereas the interests of actors were previously bracketed out from research projects and were commonly assumed to revolve around the pursuit of material interest, constructivism placed the very malleability of ideas and interests at the heart of analysis.

At its core, the constructivist research agenda set out to explore the role played by norms – the basic defining characteristics of a regime around which actors' expectations converge in a given area (Krasner 1982) – in global politics. Although the emergence and evolution of norms in international politics was situated at the heart of the project, early constructivist work was criticised for its imprecision

about the detailed mechanics of ideational change. Whilst IOs were often seen to occupy a privileged role as disseminators of norms, the process whereby their 'good' norms were transplanted to domestic agents remained under-theorised. In the words of Jeffrey Checkel (2001: 562), such work was founded on an assumption that 'domestic agents observe, something goes on between the earlobes, and their values subsequently change'. However, in recent years a growing band of constructivist scholarship has sought to enhance the analytic clarity surrounding our understanding of these processes. And works exploring contemporary dynamics inside the World Bank and IMF have been at the forefront of this literature.

Within these works, significant attention is placed on the way in which dominant ideational structures inside IOs serve to frame how staff view the world around them. This 'bureaucratic culture' is defined by Weaver (2008: 37) as 'the set of "basic assumptions" that affect how organisational actors interpret their environment, select and process information, and make decisions so as to maintain a consistent view of the world and their organisation's role in it'. The contents of these dominant frameworks are of obvious importance for constructivist scholarship, as they in essence *are* the very norms that IOs disseminate. The bureaucratic culture of the IMF, for example, has provided a lens through which balance-of-payments shortfalls are interpreted as a monetary phenomenon, requiring remedial action in terms of tighter credit supply and reduced government expenditure. And by drawing on its reputation as an expert authority, the Fund has been able to shape the way in which state actors interpret this issue (Barnett and Finnemore 2004: 6, 52–55). Indeed, in contexts where the Bank and Fund have been faced with 'sympathetic interlocutors', state representatives who buy into the dominant worldview of the Bretton Woods Twins, the extent of norm transition can be of a high magnitude (Woods 2006, Chwieroth 2012). By suggesting that authority and expertise can become a means through which IO actors influence the behaviour of a range of other agents, constructivist scholarship introduces an additional dimension to how we conceptualise control in IOs. While undoubtedly diffuse and difficult to track with precision, the capacity to re-shape subjectivities represents a significant mechanism of control in the world of IOs.

In addition to this form of external influence, for constructivist scholars bureaucratic culture also shapes the process of norm change

inside IOs. Staff within the World Bank and IMF have in this literature been characterised as something akin to 'technocratic truth-seekers'. The shared stock of macroeconomic knowledge not only shapes how staff at the Bank and Fund approach the developmental and balance-of-payments mandates of their respective organisations, it also sets the standards by which pressures to introduce operational change are judged. So, in the World Bank's long journey towards taking issues of domestic institutional reform seriously, a key tipping point was reached when the issue of governance began to be re-constituted from a 'political' to an 'economic' issue. The World Bank has historically been regarded as an 'apolitical' organisation, and this view has been internalised by staff. However, when important players in the Bank, key amongst whom was the Research Department, began to express the links between efficient and accountable public institutions and growth in a language of macroeconomic expertise, an ideational transition occurred. With this new information, staff were able to integrate new ideas and practices without challenging the core apoliticism of their identity (Weaver 2008). In this way, bureaucratic culture provides important points of reference that serve to shape the evolution of important norms.

Within this broad framework, directed change is seen to occur in a very slow and incremental manner. Some ideas can be so deeply embedded in staff's cognitive frameworks that shifts rely on personnel changes, as was seen by Chwieroth (2010) to be the case with contests at the Fund over the desirability of capital account liberalisation. However, under pressure exerted by both internal and external actors, norms at the Bank and Fund are rarely static. Whether subject to active contestation through argument, persuasion, and negotiation, moving towards stabilisation through processes of habitualisation and institutionalisation, or evolving into a qualitatively different norm, norms exhibit dynamic properties (Park and Vetterlein 2010: 19–24). In determining whether norms take hold of a wider global policy-making community, as occurred with current account convertibility in the post-war financial system (Broome 2010b), or fail to become embedded in an institutional home, as was the case with capital liberalisation at the Fund (Leiteritz and Moschella 2010), a compatible 'fit' between the norm and the bureaucratic culture of the IO is the *sin qua non*.

At the Bank and Fund, crisis has been shown to play a key role in catalysing periods of change. Perhaps the most dramatic illustration of this comes from the major changes that occurred during the late-1990s and early-2000s in the multilateral debt regime. In the face of campaigns from established NGOs and 'celebrity politicians', which succeeded in constituting the plight of low-income countries as being an event in urgent need of resolution, the Bank and Fund embarked on their first systematic write-down of members' debts in 1996. With renewed pressure in 2005, this write-down was extended to a 100 percent reduction under the Multilateral Debt Relief Initiative (Busby 2007, Broome 2009, Clegg 2010a). Moreover, crises can serve to prod state representatives inside IOs into action. The eruption of concerns over the social and environmental impact of World-Bank-supported projects back in the early 1990s catalysed the US government, through its Executive Director, to push for the establishment of an independent Inspection Panel at the organisation. Under the threat of cuts to the US financial contribution to the Bank, a Panel was brought into being in 1993 and empowered to rule on claims made by external actors that the organisation had failed to adhere to its own operational safeguards (Rich 1994: 307; Gutner 2005: 775; Park 2010: 13–14).

Taken together, rationalist insights have presented an understanding of control in IOs that is focused on the targeted application of incentives in order to influence other actors' behaviour. While the neo-realist and neo-liberal paradigms largely saw the process as a state–state dynamic occurring *through* (and indeed often outside of) IOs, the PA model has focused attention on the application of these processes by states *to* IOs. By contrast, the sociologically orientated constructivist approach has moved to foreground more diffuse mechanisms of control. By exploring the processes through which IO actors are able to re-shape other agents' understandings of (how to address) key issues of global policy-making, the model explores how structurally important actors come to desire particular outcomes in global economic governance – an issue that logically precedes the question of how they set about achieving these aims.

In the following section, I set out a framework through which these two sets of insights can be combined. By reflecting on the interaction of structure and agency in social processes, it is possible to analytically incorporate these two dimensions of control into our analysis

of the world of IOs. This nuanced understanding of control allows for the full details of the subject of analysis – the respective shareholder and stakeholder dynamics of control at the World Bank and IMF – to be captured in the main body of this investigation.

1.4. Integrating the rationalist and constructivist models

Historically, the fields of International Relations (IR) and IPE have been heavily marked by the rationalist–constructivist divide. However, we have more recently witnessed a series of attempts at 'bridge-building' between the two traditions. The 'morphogenic' framework that I advance here contributes to this goal. By enabling us to clarify the interplay between structure and agency in the processes of change in IOs, this framework allows us to see that the mechanisms of control focused on by the rationalist and constructivist traditions constitute two sides of the same coin. Rather than privileging one or the other in explanatory models, this framework allows us to see that the approaches are in fact both compatible and complementary, and together enhance our understanding of processes of change in international economic governance.

Attempts at bridge-building between rationalist and constructivist approaches to the study of IR and IPE have attracted significant discussion. Early efforts were criticised for adopting something of a 'pick and mix' approach and failing to explore the epistemological basis for conceptual combination (Johnson 2002). In addition, increasingly intractable debates began to emerge over the internal consistency and nature of the claims made by each approach, and methodological questions were raised about how we could 'get inside the head' of IO actors to adjudicate between these competing interpretations (e.g. Sending 2002, Snidal 2002, Müller 2004, March and Olsen 2005). In the face of these controversies, a workable *via media* was provided by the concept of 'middle range' theory building. The approach was driven by an underlying pragmatism, combining an understanding that conceptual and empirical problems are fundamentally interlinked with an optimism that genuine intellectual progress is attainable.[5] For Checkel, one of the leading advocates of middle range theory building, analysts should aim towards building conceptual innovations 'through a creative interplay between deduction and induction' towards the overall goal of 'bring[ing] our models

closer to the empirical reality we see on a day to day level' (Checkel and Moravcsik 2001: 243). Progress can be made along these pragmatist lines by more clearly explaining the mechanisms at work in our theories, or by incorporating conceptual tools from outside of our tradition into more comprehensive analytic frameworks (Johnson 2002: 226). And this project – this building of conceptual insights through a detailed case study – has received significant attention from analysts of IOs.

Rationalist–constructivist bridge-building has over recent years grown to become a vibrant strand of literature on IOs. As a result of detailed empirical work, an increasingly strong consensus point has emerged over the compatibility of the two frameworks. In the words of Weaver (2007: 498), 'the punch line is clear . . . [constructivism] complements PA analysis'. An internal/external division of labour has sprung up, with rationalist theory providing insight into how much freedom an IO does (or does not) have, and constructivism enhancing our understanding of the way in which the IO will use that freedom. So, for example, state actors might set 'red lines' under certain issues or lending arrangements with strategic allies, but in order to understand how IOs use their 'room to move' we have to look at ideational contests inside the institution (e.g. Gould 2006a: 310; Chwieroth 2010: 24–34). In the words of Gould, in the conclusion to a study of attempts to rein in IMF conditionality by its Executive Board:

> While PA may do a good job of explaining why principals adopt certain mechanisms of control and predicting what the range of agent activity will be, it does not necessarily do a very good job of predicting actual agent activity . . . . They tell us very little about the ultimate outcome: which point in the range does the agency choose, and why?

In addition, when trying to actively shape operations at the World Bank and IMF, it has been found that demands for change are more likely to be implemented when they are both backed by monitoring and incentive frameworks, *and* when they strategically engage with the bureaucratic culture of the IO (e.g. Leiteritz 2005, Nielson et al. 2006, Weaver and Park 2007).

These existing attempts at bridge-building are compelling, and significantly advance our understanding of how IOs work. However, unclarity remains over the nature of the connections between the mechanisms upheld by the rationalist and constructivist models. While the dominant characterisation of the relationship between the frameworks has been to characterise them as providing the discrete verse and chorus of the same song, the models can in fact be seen to interact in a manner more akin to two parts of a polyphony. The social environment within and around arenas of global governance provides the context in which state actors' ideas about what constitutes appropriate IO action are formed, but at the same time attempts by state representatives and other actors to monitor and manipulate the activities of an IO are a powerful mechanism for refining and redefining these very ideas. Moreover, these attempts to exert control serve to roll out particular (and often very narrow) understandings back into the wider social environment in an iterative cycle. In order to systematically incorporate these insights into a coherent account of the inner workings of IOs, it is useful to turn to the morphogenic model of change.

The morphogenic approach was pioneered by Margaret Archer, who was motivated by a desire to escape overly determined models of change in Marxist political economy. Dissatisfied with the inability of structuralist explanations to adequately explain contrasting social and political dynamics of change across Europe during the 1960s and 1970s, Archer sought to re-position the role of agency, albeit agency of a partial and subscribed nature. For Archer, as for contemporary constructivists (e.g. March and Olsen 1989, Hobson and Ramesh 2002, Barnett and Duvall 2005), social structures and agents were co-determinant. Social structures set the parameters within which agents exist and act, and agents' intersubjective understandings and practices concurrently (re-)produce these structures. Within this framework, social change is conceptualised as 'endless cycles of structural conditioning/social interaction/structural elaboration' (Archer 1985: 65). By providing us with a map for viewing the dynamic relationship between structure and agency, the morphogenic framework allows us to integrate structure and agency rather than privileging one over the other.

Figure 1.1 provides a schematic overview of the model. Our understanding of the core focuses of this study – shareholder attempts to

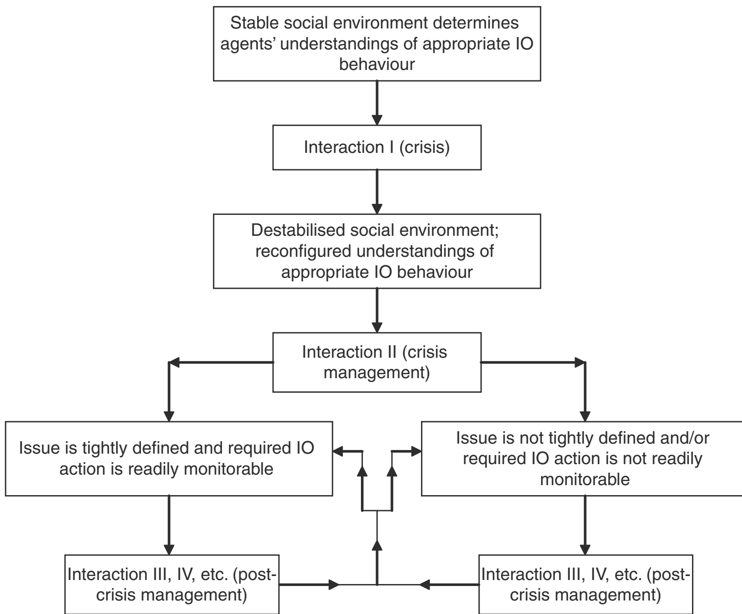

Figure 1.1 The morphogenic model of change in IOs

pin down the output of the Bank and Fund, and the repositioning of domestic stakeholders' role within the IOs – can be effectively enhanced through the application of this framework.[6] In the cases examined, periods of crisis have served to disrupt understandings within the organisations over core aspects of how they should operationalise their mandates, with the act of crisis management either functioning to tightly define a new standard of appropriateness and effectively embed this new norm (left-hand bifurcation), or failing to do so and leaving IO staff and other actors with significant latitude and autonomy (right-hand bifurcation). It is in the former case that the mechanisms upheld by rationalist analyses work to catalyse the process of norm change, as monitoring and incentive frameworks are established to secure new operational practices; in the latter case, the process of change is more incremental. However, regardless of the bifurcatory pathway followed, the morphogenic model serves to remind us that there is a symbiotic relationship between agents' behaviour and ideational structures.

At the Bank, following a crescendo of criticism through the 1990s that it was failing to fulfil its developmental mandate, the organisation began to turn evermore regularly to 'poverty reduction' as a means of securing its legitimacy. In the late 1990s, in 'crisis management' mode, state representatives at the organisation put in place a series of monitoring and incentive frameworks to push the Bank to demonstrate its poverty reduction credentials, as measured in particular by the MDGs. As such, this issue followed the left-hand bifurcation in Figure 1.1. In recent years, these procedures have been incrementally tightened up, serving to further embed the understanding in and around the Bank that the MDGs are an appropriate focus of an increasingly large portion of the organisation's work. At the IMF, parallel developments occurred in relation to its Enhanced Structural Adjustment Facility (ESAF). From early agreement amongst state representatives that ESAF programmes should be directed towards the achievement of external payments equilibrium and controlled growth, under intense criticism in the late 1990s an increasing focus was directed at the impact of programmes on the poorest sections of low-income country populations. Although disputes remain over the appropriate shape of the organisation's concessional lending, Directors have pushed an ambivalent Fund staff to draw upon 'social expenditure tracking' in arrangements, in order to provide clear, monitorable evidence of the impact of IMF programmes. So, at both the World Bank and the IMF, these top-down shareholder dynamics at the Fund correspond to the left-hand bifurcation; key aspects of the organisations' output are being subject to ever-tighter definition and control, with mechanisms upheld by the rationalist model working to accelerate norm change in these arenas of international economic governance.

In relation to the stakeholder side of the equation, at the World Bank operational procedures for integrating in-country groups into project design, implementation, and appraisal have been increasingly well defined in recent years. The roots of this genesis can be traced back to internal challenges to the Bank's economistic worldview in the 1970s, but it has been with the injection of financial resources to encourage stakeholder engagement, and the concurrent establishment of internal auditing procedures, that these changes have become more fully embedded. So, again, rationalist mechanisms have catalysed norm change in this area. By contrast, at the IMF, the idea

and practice of stakeholder engagement has failed to gain significant traction. Prompted by a period of crisis in the late 1990s, a significant rhetorical shift in the way the Fund spoke about stakeholder engagement occurred. However, operational practices have lagged, with minimal direct engagement between staff and stakeholders; rather, an understanding of stakeholders as a disciplinary tool – an enforcer of 'responsible' domestic economic governance – has prevailed. In terms of the paths of change shown in Figure 1.1, reforms to stakeholder engagement at the Fund are best characterised by the right-hand bifurcation, in contrast to the left-hand bifurcation at the Bank. At the Bank we have financial resources and increasingly intensive monitoring of staff behaviour accelerating norm change; at the Fund, in the face of similar external pressures, a less amenable bureaucratic culture and lack of deployment of financial power from state actors led to a slower-burning pace of change.

So then, in three of the four cases examined (tying the Bank to the MDGs, the Fund to poverty reduction expenditure, and Bank staff to enhanced stakeholder engagement), rationalist-type monitoring and incentive frameworks have significantly shaped the process of norm emergence. It is only in the case of stakeholder engagement at the Fund – a practice that does not fit well with the organisation's structure and culture – that the 'purer' constructivist form of change has occurred. And the morphogenic framework reminds us that, in all of the four cases, change occurs through the dynamic interplay of structure and agency. Actors' behaviour is both produced by and itself serves to reproduce ideational structures. By creating analytic space in which to explore the interplay of the mechanisms upheld by rationalist and constructivist models, the morphogenic framework provides a useful tool with which to deepen our understanding of how change occurs at the World Bank and IMF.

1.5. Opening the door to normative judgements on the politics of control

In showing that contrasting shareholder and stakeholder dynamics of control exist at the World Bank and IMF, and exploring the mechanisms through which these pressures have shifted over time, the primary engagement of this study is with literatures on IPE and the analysis of IOs. However, this study of the politics of control has a

second aim, through which the groundwork is laid for making normative judgements in the analysis of IOs. It is intrinsically interesting to study contemporary developments and to reflect on the conceptual lessons that can be inferred from these empirics. However, if we stop there, a very large question is left not only unanswered, it is not even asked: how far are these developments to be welcomed? What is our judgement of the impact of these contrasting trends towards shareholder and stakeholder control, and on what grounds do we make these value judgements? In order to begin to address these significant (albeit often overlooked) questions, I turn to the cosmopolitan literature on global governance. The cosmopolitan literature has developed conceptual tools that enable us to view the tension between shareholder and stakeholder control in global governance. As such, it provides a useful apparatus through which to interpret the politics of control at the World Bank and IMF, and ultimately allows for critical reflections on contemporary dynamics to be explored in the closing chapter of this book.

At its most general, cosmopolitan analyses of global governance are motivated by a straightforward goal. Although divided by many points of contention, the cosmopolitan project is driven by a belief in subsidiarity; an understanding that the power to influence decisions should be taken by those most directly affected by them. These themes have recently been subject to considerable analysis at the World Bank and IMF from non-cosmopolitan perspectives (e.g. Grusky 2000, Nelson 2001, Craig and Porter 2002, Bradshaw and Linneker 2003, Stewart and Wang 2006, World Development Movement 2006, Blackmon 2008), motivated in large part by the organisations' high-profile resetting of their relationship with domestic groups through the Poverty Reduction Strategy Paper initiative. And whilst useful insights are provided into the practices of the Bank and Fund by these works, the standpoint from which critical judgements are made can remain somewhat implicit. Cosmopolitan literature, by contrast, provides strong foundations for this normative platform.

Cosmopolitan political thought has a long and impressive lineage. The earliest formulation of the cosmopolitan ideal is generally taken from the fourth century BC, and the reply that was given by Diogenes of Sinope when asked where he was from: 'Cosmopolites eimi' ('I am a citizen of the world').[7] Founded on a belief in the equal moral worth

of individuals regardless of the (state-)borders in which they are situated, contemporary cosmopolitan literature is guided by the view that institutions of global governance must be reformed so as to foster emergent practices of 'global citizenship' (Archibugi 2004, Archibugi 2008, Brown 2009, Held 2009, Cabrera 2010). In recent decades, two closely connected developments in international politics have combined to enhance the profile of cosmopolitan literature: the end of the Cold War, and the increasingly widespread perception that we are witnessing a 'globalisation' of the scale of human interconnectedness. The ending of an entrenched structure of geo-governance, which had been based on a binary opposition of East versus West, opened up intellectual curiosity over possible alternative futures. Driven by a new sense of optimism, a number of key academic figures began to unite behind 'An Agenda for a New World Order', based around the operationalisation of broad cosmopolitan principles (e.g. Archibugi and Held 1995, Falk 1995). In addition, during the 1990s it became increasingly widely accepted that the significance of the nation state, a political structure whose primacy had long been unquestioningly accepted, was being eroded. Globalised networks of production, trade, and finance were thought to be leaving communities at the mercy of forces over which they had less and less control. The problem was summed up neatly by McGrew (1997: 231), who suggested that in this context 'the scale of human social organisation no longer appears to coincide with national territorial boundaries'. Driven by an appreciation of the growing importance of *the global*, cosmopolitan writers saw a pressing need to forge new mechanisms of global democratic control.

Understandably, IOs have featured prominently in the sights of cosmopolitan injunctions to reform. IOs represent the promise of global democracy, but at present, with their elite-dominated governance systems, this is a promise unfulfilled. The writings of David Held on a 'cosmopolitan order' are emblematic of the transformative vision contained in cosmopolitan writings. Seeking a comprehensive restructuring of the institutional architecture of global governance, Held (1995b: 108) argues that:

> The cosmopolitan model of democracy would seek the creation of regional parliaments . . . and the enhancement of such bodies where they already exist . . . . In the final analysis, the formation of

> an authoritative assembly of all democratic states and agencies – a reformed General Assembly of the United Nations, or a complement to it – would be an objective.

Direct channels of influence are seen as necessary in order to reframe how IOs approach the global issues with which they have been tasked.

Although advocating revolutionary change to structures of global governance, cosmopolitan writers have been pragmatic about the degree of control individual agents will be able to exert within these structures. As Cabrera (2010: 31) makes clear, the aim of such cosmopolitan projects is not some illusionary utopia in which 'each individual . . . [holds] extraordinary veto power over agreements between states, or rules enacted by suprastate institutions'. Rather, the defining principle that is sought out by cosmopolitanists is more modest, holding that 'at a minimum, actions deeply affecting individuals' interests must be justifiable to them'. The realisation of this criterion implies that:

> Individuals should have the opportunity to actually demand justifications and jointly reject or accept offers at the trans-state or global level . . . . Their interests must not only be considered, but also democratically represented in the formation of suprastate rule and operations of suprastate institutions.
>
> (Cabrera 2010: 31)

Whereas the old Westphalian order permits state actors to execute decisions at a level that does not necessarily coincide with the social grouping most closely affected by a particular action, the new cosmopolitan order demands that an inclusive, subsidiarity-based procedure be followed.

For cosmopolitan analysts, IOs offer a significant amount of promise as potential vehicles with which to accelerate the democratisation of global governance. It is also recognised, however, that IOs also pose a significant threat to the cosmopolitan project. By virtue of their complex bureaucratic structures, IOs have an inherent tendency towards the creation of de-contextualised, 'cookie-cutter' approaches to understanding and managing policy problems. Moreover, in this process the views of well-placed institutional actors exert a strong

influence over how the understanding of an issue is shaped; by closing down opportunities for less well situated actors to influence outcomes, these dynamics go against the grain of the subsidiarity-based processes demanded by cosmopolitan theorists. Indeed, mapping and resolving this fault line between IOs' democratic promise and their often totalising reality has recently been highlighted as *the* key challenge facing cosmopolitan analysts of global governance (Brown 2010). In examining the contrasting dynamics of shareholder and stakeholder control at the World Bank and IMF, my analysis focuses on this tension. And by exploring the institutional processes that shape the Bank and Fund's navigation of this point of tension, this study serves to link together the analysis of 'the ought' and 'the is' of international politics.

A recurring criticism of cosmopolitan works is that all too often they remain rooted in the realm of the ideal. A number of prominent cosmopolitan authors have made calls for this shortcoming to be addressed (e.g. Goldblatt 1997, Archibugi 2004); indeed, according to Dahrendorf, this lack of engagement with the 'real world' has on occasion reduced calls for the democratisation of global governance to little more than 'barking at the moon'.[8] Indeed, Aksu (2007: 288) has thrown down the gauntlet to cosmopolitan analysts to draw more fully on empirical work:

> Normative theorizing, especially in today's world, is analytically even more demanding than it is given credit for. Sophisticated normative theory requires or presupposes robust empirical analysis in the first place. After all, what ought to happen cannot be credibly spelled out in the contemporary scholarly context without making the prior claim that we already have a reasonable understanding of what is happening.

This is undoubtedly an important line of critique – in order to be taken seriously, it is in a literal sense necessary to know what you are talking about. However, the need to have a detailed empirical grasp also runs more deeply: to be achievable, normative 'gold standard' models need to be crafted in a manner that takes note of the dynamics of change in particular IOs.

A compelling account of the need for normative theorising about 'the ought' of international politics to be shaped by a closer attention

to 'the is' of international politics is provided by Brassett and Higgott (2003: 31), who advocate taking note of the 'arc of possibilities' when formulating ideal-type governance arrangements. This call is delivered in a provocative manner, as the authors suggest that:

> ...it is all very well to suggest ethical utopias, but quite another thing to find agreement on their content, or 'convince' the deep structures of political, social, economic, and psychological interests at work in the global polity of their desirability.

In place of such disconnected theorising, it is suggested that normative endgames must be formulated which are 'focused on achieving *what can be achieved*' (2003: 52).[9] By drawing on detailed empirical analysis of contemporary dynamics at the World Bank and IMF to explore the tension between totalising and democratising tendencies, this analysis of the politics of control at the World Bank and IMF is pitched in line with this pragmatist spirit. In doing so, the book both advances our understanding of processes of change in the World Bank and IMF, *and* connects normative and empirical aspects of the analysis of IOs.

1.6. Overview of the book

Overall, in analysing the politics of shareholder and stakeholder control at the World Bank and IMF, the book explores the contrasting dynamics that are negotiated on a day-to-day basis by staff of the organisations. In this aim, the book falls neatly into two main parts. Chapters 2 and 3 explore evolving shareholder dynamics at the Bank and Fund respectively, and Chapters 4 and 5 explore parallel stakeholder developments – again, at the Bank and Fund respectively. Finally, Chapter 6 looks back on issues surrounding the democratisation of global economic governance at the World Bank and IMF, and reflects on how post-Global Financial Crisis developments have impacted on the direction of travel in this regard.

Chapter 2 reviews the role played by major shareholder states in the rise of the MDGs at the World Bank. A recurring point of contention in the Bank's history has been the operationalisation of its developmental mandate, which has at times generated trenchant critiques of the Bank by external actors. Following such a period of crisis

in the 1990s, the Bank moved increasingly to legitimise its operations in low-income countries in terms of their poverty reduction impact. Concurrently, major shareholder states began to negotiate over the provision of supplementary finance as a major material incentive to push for more effective Bank performance, as measured in terms of quantifiable poverty reduction. The ensuing 'results agenda' has been used by shareholders to pin down the output of the IO, and provides an intriguing insight into the process through which attempts to manage a complex bureaucracy can serve to lock in a particular understanding of its primary mission. In addition, these pressures continue to intersect with the Bank's institutional dynamics, as internal advocates have begun to draw upon the pressures of the results agenda to further their own preferred understanding of how the Bank should approach its overall mission.

Chapter 3 focuses on analogous developments in the politics of shareholder control at the IMF. In contrast to the Bank, where a relatively high degree of consensus amongst shareholders provided a context in which efforts to control its output could be made, disputes among shareholders at the Fund have been more prominent. Disagreements have rumbled over the appropriate scale of IMF lending to low-income members, with an entrenched division emerging between a 'minimalist' US and a more 'developmentalist' European grouping. However, overlaying this contest, a degree of consensus has emerged since the late 1990s over the Fund's need to establish a mechanism to more closely measure the impact of its programmes, particularly on the most vulnerable populations in low-income countries. Towards this end, Fund staff have recently been pushed by shareholder states to focus on 'social spending' levels – the volume of public expenditure on health and education – in programmes, as a means of generating a tangible contribution to poverty reduction. And as with the Bank's focus on the MDGs, this shift has generated significant waves both inside and outside the organisation.

Turning to the issue of stakeholder control, Chapter 4 reviews the dynamics surrounding reforms in this area at the World Bank. From an initial position in which stakeholder input came exclusively through state-based, delegated mechanisms, a culture developed in which little value was attached to engaging with domestic groups in everyday operations. Through the 1970s, with the burgeoning heterogenisation of staff's professional background, a more 'stakeholder

friendly' sub-culture began to develop. Accompanying this shift, and under the pressure of external criticism, operational changes were made to allow stakeholders to have access to a more direct relationship with staff through the Bank's project lending. The infusion of significant financial resources to encourage staff to go further in this direction and the creation of internal auditing processes to monitor levels of engagement have in recent years catalysed these emergent trends. In addition, with a newfound focus at the Bank on improving stakeholders' ability to exert control at the domestic level, the evolving practices of stakeholder engagement now contain multiple and overlapping layers. As such, over the past decade, there has been something of a 'Reconstruction of Stakeholder Control' at the World Bank.

Chapter 5 reveals the dynamics surrounding stakeholder control at the IMF. Throughout the major part of its existence, the Fund has been accustomed to 'acting behind the scenes', following operating procedures that are severely at odds with the calls for greater stakeholder engagement that are now routinely directed towards IOs. Core characteristics of the Fund, including importantly an institutional culture that views social change as an essentially apolitical process, have served to sustain a fundamental continuity in its mechanisms of stakeholder engagement, which remain dominated by channels of delegation through state-agents. However, under the influence of internal dynamics, two notable developments have occurred. First, domestic civil society groups have increasingly been utilised by the Fund as 'disciplinary stakeholders' to keep watch of errant low-income country governments, and have been provided with informational resources with which to more effectively execute this task. Second, because of a concern over the positive relationship between participation in programme design, policy ownership, and successful implementation, efforts have been made to broaden the range of in-country actors that Fund Mission Teams and Resident Representatives engage with. However, these additional actors remain largely within official government circles, and consequently the Fund continues to attract heated criticism for the 'under-operationalisation' of its stakeholder engagements.

The sixth – and final – chapter of the book serves to draw together the lessons learnt in the previous chapters, and reflects on the current lay of the land regarding pathways towards the democratisation

of global economic governance. At the totalising extreme, it is possible that the views of the centre will become evermore precisely defined and tightly applied, and will crowd out the capacity of domestic actors to influence the agenda of the IOs. There is indeed tentative evidence of this eventuality emerging, with the elevation of ‘poverty reduction’ to the central concern of the Bank and Fund’s interactions with low-income countries. At the democratising extreme, it is possible that, under the influence of external actors and internal advocates, engagement with domestic stakeholders will be improved such that the populations most affected by the Bank and Fund projects and programmes are allowed a substantive input into decision-making processes, and to influence views on both operational means and ends. This future is significantly more achievable at the Bank, whose structure and staff background provide a more receptive environment than the Fund’s to changes in this direction. On balance, however, contemporary trends remained rooted in an ‘asymmetric accommodation’ between these dynamics, with a significant tightening-up of shareholder states’ capacity to control IO output occurring alongside more modest improvements to the incorporation of stakeholder groups into decision-making by the Bank and Fund staff. The chapter closes by reviewing the impact of post-Global Financial Crisis developments on this accommodation. Though in a different manner in the two institutions, these shifts have served at the margin to further tip the balance of the asymmetric accommodation in the direction of the Bank and Fund shareholders. Given the nature of past operational change in the IOs, any significant re-balancing of these dynamics is realistically achievable only over the medium term, if not beyond.

2
Shareholder Control and the Rise of Poverty Reduction at the World Bank

> There has never been a more urgent need for results in the fight against poverty.... Whether investing in education, health, infrastructure, agriculture, or the environment, we in the World Bank must be sure that we deliver results.
>
> (Wolfowitz 2005)

> I call on all multilateral development banks ... to tie support more directly to clear and measurable results.
>
> (Bush 2001)

In early 1942, Harry Dexter White sat down in his US Treasury office to draft a proposal for an international bank. With his mind understandably focused on the mass of physical devastation that the years of war had wrought, White headed the report 'Bank for Reconstruction'. However, during the course of re-writing the blueprint, a *tête á tête* with his deputy, Ed Bernstein, would lead to a fateful two-word appendage to the embryonic institution's title. When optimistically thinking to the future and considering the bank's place in a post-war global order, Bernstein wondered aloud about what to do with the institution after reconstruction had been completed. White turned the question back on his deputy, and Bernstein suggested that it could be used to lend to other areas that required development. When the amended plan was circulated to other governments the following year, it outlined ideas for an expanded organisation: an 'International Bank for Reconstruction *and Development*' (Kapur et al. 1997: 57). It is around the operationalisation of this broad developmental mandate that shareholder states have, with increasing intensity,

sought to bolster the mechanisms of control at their disposal. And in establishing a monitoring framework and financial inducements to support their MDG-focused 'results agenda', the Bank's shareholders are working to lock in a particularly precise understanding of poverty reduction at the heart of the organisation's mission.

The politics of shareholder control at the World Bank consists of a nexus of power relationships through which the IO and its key creditors act to redefine the Bank's primary mission and to ensure that this mission is effectively fulfilled. In order to gain a full understanding of this process, it is necessary to analytically incorporate a concern with both the means through which the IO is able to shape understandings of key policy problems *and* also the means through which state-principals are able to alter the incentives of IO-agents in order to ensure they remain 'on task'. From the early years of its operation, the Bank has been able to use its position of authority to frame understandings of key aspects of its developmental mission. This capacity has been carried over into its contemporary operations; indeed, in recent years a 'positive feedback cycle' has developed whereby the Bank's moves to re-frame its primary mission in terms of 'poverty reduction' have been complemented by principals' use of material incentives to ensure effective performance according to this metric. These pressures have contributed to a tightening of the focus of the Bank's engagements with low-income countries towards generating a quantifiable impact on poverty levels. And although both the Bank and its key creditors present this evolving 'results agenda' as a narrowly technocratic exercise, the acceleration of the quantification of global poverty is in fact a deeply political act, with significant ramifications both inside and outside the World Bank.

In outlining these dynamics, this chapter proceeds according to the following structure. The opening section introduces the conceptual framework that, in line with the approach outlined in Chapter 1, integrates elements of rationalist and constructivist analysis to allow for a comprehensive understanding of the politics of shareholder control at the Bank to be presented. In the second section, I review the major events in the evolution of the International Development Association (IDA), the branch of the World Bank dealing with low-income country lending operations. This serves to both contextualise the contemporary dynamics and show that the attempts to define and redefine the primary goal of IDA lending have long permeated

the relationship between the Bank and its shareholders. In the third section, I present evidence of the evolving positive feedback cycle between the Bank and its major creditors. Following a period of crisis through the late 1980s, the World Bank moved to reshape understandings of its appropriate goals by increasingly legitimising its activities in terms of global poverty reduction. Concurrently, the Bank's shareholder states moved to institute a monitoring regime over the organisation, focusing on its contribution to global poverty reduction. Through the fourth section, the efforts by the Bank to 'fill the world with poverty indicators' and to increase low-income countries' capacity to track a range of basic socio-economic data are examined. These efforts include most recently the launch of Africa Results Monitoring System (ARMS) and constitute a ramping-up of shareholders' ability to monitor the World Bank's output. The fifth section examines the 'battlefield of knowledge' at the World Bank, specifically investigating the intersection between the pressures released by the results agenda and internal contests over how the IO 'sees' its mission. Finally, the concluding section of this chapter reviews the insights gained from the analysis of the politics of shareholder control at the World Bank and introduces the themes that are returned to when the dynamics explored are evaluated in Chapter 6.

2.1. Performance measurement and norm change at the World Bank

In *Economy and Society*, the *magnum opus* of Max Weber and one of the founding texts of contemporary institutional analysis, a series of astute insights are put forward regarding the effects of the professionalisation and bureaucratisation of political management. At the nub of Weber's analysis is the observation, expressed in something close to a tone of admiration, of the potentially crushing power of the bureaucratic structure:

> As an instrument of rationally organising authority relations, bureaucracy was and is a power instrument of the first order for one who controls the bureaucratic apparatus. Under otherwise equal conditions, rationally organised and directed action is superior to every kind of collective behaviour, and also social

> action opposing it. Where administration has been completely bureaucratised, the resulting system of domination is practically indestructible.
>
> (Weber 1978: 987)

According to Weber's ideal-type sketch, the power to control a bureaucracy lies, in important respects, 'at the top' of the organisation: functionaries are mere cogs in the machine; the ability to stop, start, and alter operations sits in the hands of actors at the highest echelons (1978: 988). Although much constructivist scholarship in IPE draws either directly or indirectly on Weber's seminal work, the importance of hierarchy in the life of bureaucracies has at times been lost. Here, I show that at the World Bank, shareholder states are able to draw upon their unique position and financial resources to shape the organisation's activities. And by appending the insights of the constructivist scholarship to those of the rationalist approach, it becomes possible to grasp the mechanisms at work in the Bank's evolving positive feedback cycle.

The central contribution of the rationalist approach to enhancing our understanding of the politics of shareholder control at the World Bank is in highlighting the importance of information in attempts to manage the activities of complex bureaucracies. According to rationalists, in order to be able to assess how faithfully the organisation is carrying out their wishes, the state-principals in charge of an IO-agent require accurate information about its activities. And, as this information needs to be communicated up and down chains of command in a rapid manner through a process that incurs minimal 'agency losses', there is a functional imperative for it to be collated and presented in a tidy and unambiguous quantitative form. Effectively overcoming these persistent shortages of knowledge about what exactly an IO is doing is, for the rationalist approach, one of the key steps that must be taken by state-principals in order to improve their capacity to efficiently manage the activities of their agents (Kassim and Menon 2003: 124, Worsham and Gatrell 2005: 366, Nosal 2006: 1993, Thompson 2006, Lane 2007: 616).

And the rationalist approach has also shown us that, in the world of IOs, money matters. The control of supplementary finance has on occasion allowed for non-state actors, in the form of private bankers, to act as informal principals and gain influence over the

activities taken by key institutions of global economic governance (Gould 2006a, 2006b). More routinely, the power of the purse tends to be wielded by state representatives. By making offers of additional resources (or indeed threats to withhold planned but not yet disbursed funds) that are contingent on the accomplishment of particular goals, state actors are able to use their hard power in order to push IOs towards particular activities (Broome 2008: 126). With the assumed interest of bureaucratic managers in maximising their budgets, the use of financial carrots and sticks can become effective means of manipulating IO behaviour (Lyne et al. 2006). In the case of the World Bank's IDA lending, this technique has been used to encourage the organisation to cooperate in the establishment of rigorous performance-monitoring mechanisms and to demonstrate evidence of its effectiveness according to this metric.

In order to grasp the full significance of these attempts to monitor and control the IO, it is necessary to locate these actions within the wider process of norm change of which they are a component part. Rather than coming out of thin air, these actions are in important respects shaped by the dominant ideas in the social environment surrounding the organisation. In addition, by increasingly tightly defining these ideas, such action also serves to reshape key norms at the heart of an institution – and in a manner that generates further ideational contestation in and around the IO.

For constructivists, the basis of an IO's authority comes from the shared understanding in a policy community that it serves some valuable social purpose. Claims of moral and expert authority are two of the central components of IO authority: moral authority is often bolstered by IOs through frequent claims to be impartial, de-politicised agencies pursuing goals of universal benefit to the international community, while expert authority comes from the acceptance that IOs hold specialised knowledge about the important social task with which they have been charged (Barnett and Finnemore 2004: 22–27). In an everyday sense, enhancing their credentials as 'an authority' is a pressing task for IOs. When their stock is high, the ability of an IO to frame policy issues amongst global policy makers is strong. With the successful establishment of a reputation for fairness and effectiveness, a wide range of other actors can be gently coaxed into 'seeing like the IO' when it comes to key policy issues (Broome and Seabrooke 2012). In this context, processes of classification, fixing of meaning,

and the diffusion of norms can serve to not only solve the problems and pursue the collective interests that are encoded in their founding principles but can also help to re-define these problems and collective interests (Bauer 2002: 387, Barnett and Finnemore 2004: 51–56). The dissemination of international norms within its social environment can in this way subtly shape state behaviour (Immergut 1998: 14–19, Alderson 2001: 421, Johnston 2001: 488).

The life of an IO, however, is rarely characterised by plain sailing. Because of their high profile and deep enmeshment in (trying to resolve) global policy problems, IOs are often subject to considerable criticism. Over time, the policy frameworks that become the agreed-upon 'common sense' amongst staff tend to progress through a series of linked stages in an overall 'lifecycle', with such periods of criticism playing an important role. From an initial stage in which they are heavily contested through processes of argumentation and persuasion, policy norms emerge and, as they are routinised into staff behaviour, become stable (Finnemore and Sikkink 1998, Park and Vetterlein 2010). Through each of these phases, internal disagreements and external criticism can serve to foster new ideas and to accelerate the pace of change. And it is when the external environment becomes increasingly hostile that the ability of an IO to present evidence of its overall effectiveness is at its most important. By presenting evidence of success that is consistent with its framing of an issue, an IO's legitimacy can be maintained even as it travels through choppy waters. This legitimating function of knowledge is at its most effective when evidence of policy success is presented in an unambiguous, 'scientific' form (Bauer 2002: 387, Boswell 2008: 472–73); however, as IOs are rarely homogenous beasts, the process of defining the yardstick with which to measure such success is often highly contentious.

In the case of the World Bank, this process of reframing has progressively become more controversial. Under heavy criticism through the late 1980s and into the 1990s, the initial restatement by the Bank of the centrality of poverty reduction to its mission was widely accepted internally, partly because the idea was broad enough for different groups in the Bank to understand the term in different ways. Although the positive feedback cycle was kick-started when state actors began to push the organisation to increase its performance according to a poverty-reduction metric, the ensuing

attempts by shareholders to clarify its meaning in terms of the MDGs has had greater internal implications. The proclivity within the World Bank for a statistically based, income-headcount conceptualisation of development is well documented and has its roots in the time of Robert McNamara (Ascher 1983, Ellerman 2006).[1] The push towards a more multi-dimensional approach has assisted the efforts of internal advocates of the approach to advance their agenda, and the ramifications of these dynamics inside and outside of the Bank continue to evolve.

Far from being a 'closed' relationship between the IO and shareholder stakes, the process through which the key principals' understanding of the IO's appropriate role is set involves a range of actors, including other state- and IO representatives. For instance, the United Nations Development Programme (UNDP) has been at the forefront of efforts to establish the MDGs as *the* yardstick with which to measure global poverty reduction, and also has designated the World Bank as the 'official scorekeeper' of the MDGs (Deaton 2005: 2). In so doing, the UNDP has undoubtedly played a role in shaping shareholders' understanding of the appropriate poverty-reduction metric with which to measure Bank performance. Other smaller states have also for many years advocated the use of a multi-dimensional view of poverty in global policy-making (Bebbington et al. 2004: 45) and so have further shaped the social environment that informed shareholders' understanding of appropriate measures to track the Bank's contribution to poverty reduction. It is with this background context in mind that the shareholders' push to pin down the Bank's performance is best understood. The desire to monitor its IO-agent underscored creditors' push with the results agenda, although the Bank (and a range of other actors) helped shaped their view that an MDG-centred view of poverty reduction was an appropriate means of gauging effective performance.

Mirroring the conceptual framework for understanding change in global economic governance put forward in Chapter 1, the overall positive feedback cycle can be captured by thinking about the interplay of structure and agency. The mechanisms upheld by the rationalist and constructivist approaches are both clearly in evidence during the course of events under examination, as ideation structures have both shaped and been re-shaped by agential behaviour. Figure 2.1 provides a schematic presentation of this process, as

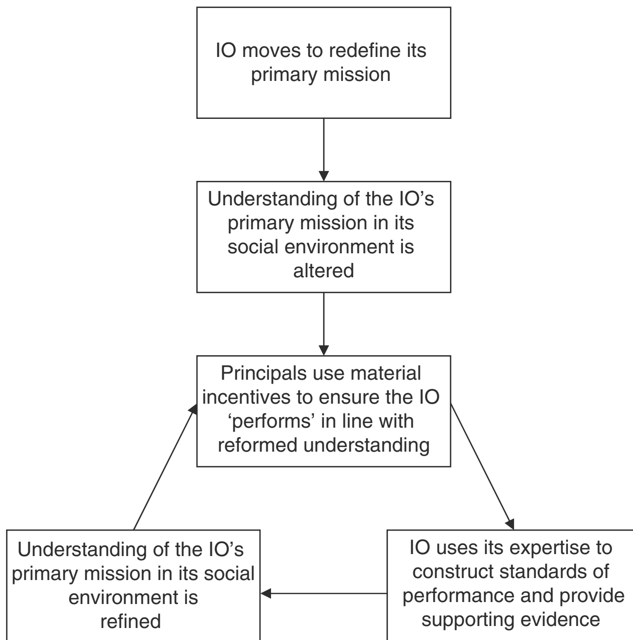

Figure 2.1 The positive feedback cycle of IO monitoring

shareholder imposed monitoring- and incentive-based mechanisms have served to catalyse norm change at the Bank.

As the following sections show, poverty reduction was established as a concern of World Bank lending relatively early in its history, in the second decade of IDA's existence. However, in the context of the post-Wapenhans crisis, the Bank moved to increasingly present poverty reduction as *the* driving goal of its engagements with low-income countries. By restructuring the social environment that informed its shareholder states' understanding of its appropriate role, the Bank was able to exercise a subtle control over following developments, whereby its shareholders began to demand evidence of performance according to a poverty-reduction metric and to structure material incentives to encourage compliance. The evolving positive feedback cycle has impacted upon debates within the Bank over how it should conceptualise its mission, and in particular is opening ground for advocates of a multi-dimensional approach to poverty

reduction. The relationship between how internal and external actors understand the Bank continues to unfold in an intricate, dynamic fashion. And overall, this flexible analytic framework, which drawn on the morphogenic conceptualisation of social change, allows us to gain a comprehensive understanding of this process.

2.2. A brief history of the International Development Association

When it was formed in 1960, the IDA represented a major turning point in the history of the World Bank. Whereas the Bank had very rapidly gained a significant degree of financial autonomy from its shareholder states, the launch of the non-self sustaining IDA provided creditor states with renewed opportunity to employ financial bargaining to push for operational changes. In addition, IDA provided the Bank with a concessional pot of financing with which it was able to lend to otherwise 'uncreditworthy' low-income members. From the outset, the Bank was successful in using its evolving stock of expertise to expand the range of lending products offered through IDA. The shift from lending for revenue-generating projects towards lending for activities in the 'social sector' laid the groundwork for the subsequent demands from creditors for performance in relation to poverty reduction and the instigation of the positive feedback cycle of Bank monitoring.

As is well known, the International Bank for Reconstruction and Development (IBRD) was called into being following the 1944 United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire.[2] The early years of its operation were a time of the Bank 'finding its feet', during which it moved to clarify its relationships with both member states and the capital markets that became a vital source of funding. Even in these early years of its operation, conflict between shareholder states and the Bank developed over the operationalisation of its mission, and these contests provide an informative backdrop against which to analyse the contemporary dynamics of shareholder control at the IO.

With a staff of just 72, the IBRD opened for business in June 1946. The founding member states had granted the organisation a mandate to bridge the gap between, on the one hand, the massive amounts of capital needed to finance the reconstruction of war

damage and the development of economically less advanced areas and, on the other hand, the scarce resources of the private financial markets that remained heavily shocked by the previous depression and war. In order to meet its mandate, the Bank was endowed with paid-in capital by its founders. However, in order to maximise its lending capacity, the Bank was designed as a leveraged organisation, able to use its capital base to borrow from private markets. This borrowing capacity was further increased by a supplementary pool of callable capital, with which states effectively acted as guarantors to the private markets against default by the Bank. In terms of formal governance structure, member states were given representation on a Board of Governors that was to be convened annually and on a Board of Directors that was involved on a day-to-day basis. Shareholder states with high financial commitments to the Bank – basically, advanced-industrialised states – were allowed to select their own Executive Director, who would represent them exclusively; poorer members had to form constituency groupings that were collectively represented by a Director (Mason and Asher 1973: 72–94, Vetterlein 2006: 125–27, Weaver 2008: 8). And although state-representatives were placed in overall control of the World Bank, the story of the early years of the Bank was one of limited state-capacity to shape the operations of what was in any case a rather conservative IO.

Because of its desire to gain the confidence of the private markets in order to access capital at a low rate of interest,[3] the early years of the Bank's operations were dominated by a cautious approach to lending. The stipulation in its Articles of Agreement limiting operations to lending for specified projects – a clause that had been included by signatory states to keep a tight reign on the Bank's activities – became something of a 'golden straightjacket'.[4] Care was taken to ensure that projects financed by the Bank had a demonstrable capacity to generate repayment revenues. Within the Bank, the Central Projects Staff became an important grouping and were highly effective in making sure that projects were not approved unless they had a clear potential to enhance borrowers' ability to repay. In order to further maintain credibility in the eyes of capital markets (and to cushion the Bank from 'political' interference in loan decisions), in 1947 the President of the Bank pushed through a ruling blocking Executive Directors from proposing loans. By following this market-friendly route in its early years, the Bank attained its sought-after

AAA credit-rating in 1959. With this accreditation, the Bank was able to borrow at low rates wholesale in the capital markets and – even allowing for its premium charge – re-lend to governments at rates below those at which they could individually borrow from the private market. In line with the established norm that projects should improve governments' ability to make repayments on loans by focusing on the expansion of productive activity, power, transportation, and other large infrastructure projects came to dominate the Bank's portfolio in these opening decades (Mason and Ascher 1973: 105–6, Woods 2006: 15–38).

In terms of its operational autonomy and financial stability, by the late 1950s the Bank was in a comfortable position. However, due to the confluence of internal and external factors, in 1960 a decision was made to create the IDA, an organisation that has been referred to as 'an affiliate that changed the whole history of the World Bank' (Kapur et al. 1997: 13–14). Internally, although the 'business model' for the Bank had been generally successful (and was in fact by the late 1950s generating a surplus income that was becoming something of an embarrassment of riches), there was a perception that the organisation was failing to serve a large number of developing countries, countries that had either exhausted or had not yet sufficiently demonstrated their creditworthiness. Externally, in the light of the Cold War, the Bank's major creditors viewed providing assistance to these developing countries as being a vital pillar of security policy, and so were keen to expand the capacity of the Bank as a cost-effective means of contributing to pressing foreign policy objectives. IDA's inception addressed these complementary concerns (Kapur et al. 1997: 178–80). IDA was designed as an adjunct to the IBRD, to allow for loans to be provided to developed countries at reduced rates of interest. In the time preceding its launch and into the early years of its operation, debates around the IDA were dominated by (closely linked) concerns over its funding structure and the type of projects that its resources should be used to support.

At the time of its establishment, a tough battle was fought between Bank management and major shareholders over the types of activities that were to be supported by IDA lending. Management held that IDA operations should not differ in kind from those of the IBRD and should be directed towards projects with demonstrable

revenue-generating potential to maximise governments' repayment ability. Creditors, led vocally by the US representative, argued that non-revenue- generating 'social lending' should be included in the IDA's portfolio (Kapur et al. 1997: 157–59). When the terms of reference for the IDA were set, it was laid out that a project could be supported if it was of sufficiently 'high developmental priority' even if it was not 'revenue-producing or directly productive'. Additionally, the definition of 'project' was expanded, such that 'a group of related programmes forming part of a developmental programme' could be considered eligible for funding.[5] The compromise reached illustrates that, from the moment of its birth, there was considerable uncertainty and a large amount of 'wriggle-room' around the understanding of the IDA's primary mission.

Through the 1960s, the scope of IDA lending increased significantly. With the aid of a rapidly expanding Economic Department, arguments and methodologies were developed with which to credibly calculate economic 'rates of return' for what had previously been considered out of kilter with the Bank's revenue-generating norm. With the added confidence in the viability of such projects, IDA operations began to expand into areas including education and agricultural projects (Kapur et al. 1997: 212–13, Neu et al. 2006: 645). It was, however, under the presidency of Robert McNamara (1968–81) that the major changes in scale and scope of IDA lending took place, and lending norms stretched even further to encompass broader goals of development and poverty reduction.

Under McNamara the volume of World Bank lending skyrocketed (see Figure 2.2), as money was provided for an increasing number of ever-more expensive projects. During McNamara's first year at the Bank, a moderate 62 new projects were approved, whereas during his final year at the Bank the number had risen to 266 (Ayres 1983: 4–7). In terms of the annual volume of IDA disbursals, this represented a 13-fold increase. And it was under McNamara that Structural Adjustment Lending (SAL) began, which through the 1980s made up an increasingly significant proportion of Bank activity. SAL was designed as a tool with which to improve the economic management of developing-country governments, by tying loans to the achievement of various fiscal and monetary policy objectives. Although SALs were initially designed for middle-income members, this form of lending modality rapidly become focused on low-income countries who,

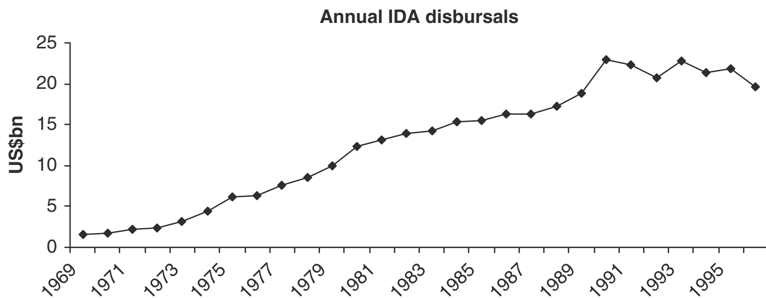

Figure 2.2 Growth in IDA lending, 1969–96
Source: World Bank.

squeezed by declining commodity prices, became heavily dependent on the Bank for external finance (Maizels 1987: 539).

In addition to its increasing scale of lending during the McNamara years, through its increasingly vocal commitment to the alleviation of poverty in its member countries the Bank also continued its drift away from the norm of lending solely for projects with a directly revenue-generating capability. It is officially noted by the Bank that 'McNamara eschewed the cautious, Wall Street-oriented approach of his predecessors' and that his leadership of the organisation was driven by a 'firm belief that the problems of the developing world could be solved'.[6] McNamara's 'Nairobi Speech', delivered to the 1973 Board of Governors meeting in Kenya, is emblematic of this change of focus. In the speech, McNamara passionately laid out his view for the long-term role of the Bank. After describing absolute poverty as 'a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities', McNamara committed the Bank to 'placing far greater emphasis on policies and projects which will begin to attack the problem' (McNamara 1973: 3). Acknowledging the financial resources that this focus on the reduction of poverty would require, McNamara made a direct appeal to the Bank's shareholder states:

> In my view the fundamental case for development assistance is the moral one. The whole of human history has recognized the principle – at least in the abstract – that the rich and the powerful have a moral obligation to assist the poor and the weak. That is what the

> sense of community is all about-any community: the community of the family, the community of the village, the community of the nation, the community of nations itself.
>
> (McNamara 1973: 4)

And just as the Economics Department laid the intellectual groundwork for the earlier expansion into education and agricultural projects, the poverty-reduction drive was underpinned by the Bank's expanding Research Department. Indeed, reports such as the 1974 *Redistribution with Growth* publication not only helped shape staffs' acceptance of the broader benefits of focusing on the 'have nots' in low-income countries but they also served to shape developmental thinking outside the Bank as well (Ayres 1983: 5).

From the start of its operations, a defining feature of IDA loans – whether to support investment in infrastructure, agriculture, education, and broader social spending, or provided in the form of SAL – was concessionality. With subsidised rates of interest and extended repayment schedules, IDA's resource pool was not designed to be self-sustaining. As the flow of resources going out of the Bank's door was never fully matched by the repayments coming in, the organisation was forced to turn to key shareholder states to periodically plug the gap. Shortly after the launch of IDA, a system of triennial 'replenishment negotiations' sprang up, with shareholder states entering into increasingly lengthy talks with the Bank over their financial contribution. Struggles over the scale and relative share of contributions dominated early replenishment rounds, although IDA-2 through to IDA-6 generated a steady growth in creditor commitments (see Figure 2.3). Growing US dissatisfaction over inadequate 'burden-sharing' from other creditors reached its peak in IDA-6 (1978–81) and IDA-7 (1981–85), with US intransigence contributing towards the extension IDA-7 negotiations by a year. Such pressure led to a levelling-out in the contributions from IDA's main creditors, although the G7 as a whole continued to dominate.[7]

In terms of process, Deputies, who act on the behalf of the contributing states, conduct IDA replenishment negotiations. Each creditor state selects a Deputy, who works closely with their relevant Executive Director throughout the negotiations. Once the Deputies have come to a consensus position, they issue a report to the Executive Board for approval (Marshall 2008: 37). From the early days

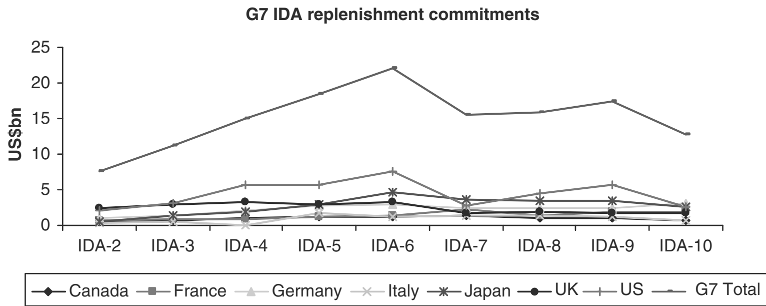

Figure 2.3 Growth in IDA funding, 1969–96
Source: Data from World Bank (2008a: Annex 1).

of replenishment negotiations it was common for creditors to link the provision of additional funds to efforts to tie the Bank to their wider foreign policy goals. French negotiators, for example, consistently lobbied for greater distribution of resources to francophone Africa, whilst the United States unambiguously threatened to scupper IDA-6 unless the Bank provided an assurance that no resources would be committed to Vietnam (Sanford 2009).[8] Although replenishment negotiations were used to push state interests in the 'high politics' realm of foreign policy priorities, very little attempt was made to use the opportunity to push for operational change at the Bank. Somewhat surprisingly, given that policy issues were from the start within Deputies' terms of reference, it wasn't until IDA-9 in the early 1990s that serious attempts began to be made by key shareholders to use replenishment negotiations to leverage operational change out of the organisation (Kapur et al. 1997: 1149, World Bank 2001b: 2–4, Marshall 2008: 38). However, as external criticism of the Bank began to mount at this time, creditors began to increasingly employ IDA replenishment negotiations to ratchet up their pressure on the Bank to perform more effectively.

Feeding on developments that had begun to take root in the Bank back in the 1970s, shareholders' efforts have come to coalesce around a poverty-reduction metric. Indeed, over the last decade a positive feedback cycle has developed, with the Bank's increasing recourse to poverty reduction as a legitimation device being reinforced by shareholder states' use of poverty reduction as a yardstick for performance assessment. It is to these monitoring and legitimation dynamics that

I now turn, before their effects inside and outside the Bank are explored in the final sections of the chapter.

2.3. Poverty reduction as a monitoring and legitimation device

By the early 1990s, the World Bank's engagement with low-income countries had changed beyond recognition. From an early position of lending exclusively to creditworthy members for directly revenue-generating projects, the Bank had, through IDA, become a huge presence in the developing world. Following the reforms of the McNamara years, the Bank had repositioned itself as a broad-based developmental agency, with an interest in activities ranging from engineering projects to education and agriculture. Moreover, by this time, staff had grown to see poverty reduction as an overarching goal of IDA operations. Although the precise meaning of poverty reduction remained somewhat loose, from the 1990s IDA replenishment negotiations became a key forum through which a MDG-focused understanding began to emerge. Concurrently, by increasingly drawing on poverty reduction as a legitimation device, the Bank has acted to complete the positive feedback cycle outlined earlier.

It was with IDA-9, the round of replenishment negotiations concluded in 1993 (see Table 2.1) that shareholder states for the first time began to flex their muscles and to use their financial control over the Bank to push for significant operational change (World Bank 2001b: 4–5). The hostile external environment in which the Bank found itself at the start of the 1990s helps explain the sea change that was brought in through IDA-9 and beyond. Leading up to this point the World Bank had been enduring a 'decade of debacles', during which time it attracted heavy criticism over the visible failure of a series of high-profile loans. Perhaps the single-most damaging scandal came from the Narmada dam project, against which activists mobilised around a huge international campaign. In the end, an internal review by the Bank found 'gross delinquency' in the implementation of the project, which contributed to the displacement of 200,000 farmers, increased the prevalence of water-borne diseases, and disrupted fisheries (Rich 1994: 25–48, Rich 2002: 29). And Narmada was by no means alone, with a series of forestry and riparian projects attracting large (and often successful) international campaigns through the

Table 2.1 Timeline of IDA replenishment negotiations

Replenishment round	**Negotiation completed**
Initial (IDA-0)	1960
IDA-1	1964
IDA-2	1968
IDA-3	1971
IDA-4	1974
IDA-5	1977
IDA-6	1980
IDA-7	1984
IDA-8	1987
IDA-9	1990
IDA-10	1993
IDA-11	1996
IDA-12	1999
IDA-13	2002
IDA-14	2005
IDA-15	2008
IDA-16	2011

Source: Adapted from Marshall (2008: 38).

1980s (Fox and Brown 2000: 500–1). The high water mark of criticism came in 1992, with the leaking of an internal audit of project lending. The 'Report of the Portfolio Management Taskforce' – better known as the Wapenhans Report after Willi Wapenhans, the Bank's Vice President who directed the study – found that one-third of completed projects were failures by the Bank's own criteria and that over half of the ongoing projects were unlikely to deliver the benefits promised at the commissioning stage. By lifting the lid on the 'culture of loan approval' at the Bank, the report alerted shareholder states to the dysfunctional behaviour inside the organisation (Rich 2002: 27–28, Weaver 2008: 84). It was in this context that a qualitatively new level of 'shareholder activism' began, through IDA negotiations, to permeate the Bank.

In the light of Narmada, IDA-9 focused narrowly on ensuring that Environmental Reports were completed for all recipients of concessional lending, to assess member states' ability to manage and mitigate potential problems. The conditions attached by creditors to the IDA-10 replenishment package were a sharp development in the politics of shareholder control at the Bank, and represented

a new phase in their attempts to place poverty reduction at the heart of the organisation's work. With the IDA-10 agreement, in return for a record SDR16 billion injection of resources, shareholders moved to take an unprecedented role in the micro-management of IDA operations:

> Deputies went a step further [than IDA-9], prescribing that IDA was to maintain rising trends for both social sector and antipoverty programmes.... Since such programmes already claimed some 40 percent of IDA investment lending and 28 percent of all IDA outlays, these stipulations encroached severely on management's programmatic discretion.
>
> (Kapur et al. 1997: 1149–50)

This action represented an important starting point in the development of the positive feedback cycle of Bank monitoring; through the following replenishment rounds, moves were made to further clarify the poverty-reduction yardstick according to which shareholders expected the Bank to perform.

The one-off targets that came through IDA-10 marked the commencement of shareholders' use of financial incentives to push for enhanced poverty-reduction performance from the Bank. Through the following rounds, shareholders used negotiations to establish more deeply rooted techniques of performance management and to lay the foundations of the so-called 'results agenda' at the Bank. The United States, the largest shareholder at the Bank and until recently the consistently largest contributor to IDA replenishments, played a central role in rolling out this embryonic results agenda – this growing obsession amongst shareholders to ensure that the Bank was producing a tangible, observable impact on global poverty levels. Following lobbying from both domestic and international campaigners, the administration of US President Bill Clinton was at the forefront of this drive. Together with their fellow Deputies, the US representative successfully used IDA-12 and the promise of SDR1.6 billion to secure the implementation of a permanent mechanism to ensure the increased impact of Bank resources (Sanford 2002: 752, Weiss 2007: 12). The mechanism that emerged was the Performance-Based Allocation (PBA) system, which was structured to integrate an assessment of the strength of recipient countries' policy environment into decisions over funding allocation (Sanford 2005: 2).

Under the new PBA arrangements, Bank staff carried out Country Policy and Institutional Assessments (CPIAs) for all IDA recipients, which evaluated governments' track record in supporting sustainable economic growth and poverty reduction. The resulting CPIA ranking is then used as an input into IDA lending allocations, so, *ceteris paribus*, countries with a stronger track record of effectively fostering development and poverty reduction will receive higher volumes of loans and grants. By diverting resources to where they were likely to have the greatest poverty- reducing impact, PBA met the demands of shareholders that the Bank demonstrably improve its effectiveness. Indeed, in the following round of negotiations IDA Deputies provided positive comments on PBA and the CPIA process, requesting that the system be tweaked so that poor performers received lower allocations. And although debates over the effectiveness of CPIAs emerged even before the system was up and running (in particular over which policy and institutional factors should be included, and with what weighting),[9] reforms to PBA are a tangible means through which shareholder control has shaped IDA operational practices.

Following these initial steps to ensure that long-term measures were in place to enhance the effectiveness and impact of World Bank resources, in the rounds that have taken place since IDA-12 shareholder states have honed in ever more tightly on poverty reduction as an indicator of Bank success. It is from this time that the MDGs have taken centre stage and emerged as shareholders' preferred measure of poverty-reduction impact (Sanford 2005: 3, Weaver 2007: 500). Inside the Bank there is a general consensus that replenishment negotiations have been the key driver of the continuing results agenda, and the replenishment reports from IDA-13 to IDA-16, which provide the details of negotiations that took place between 2002 and 2011, provide evidence of this trend. With these developments the positive feedback cycle, which had begun with the one-off targets in 1993, began to take shape as a potent means of bolstering shareholders' ability to monitor and control the World Bank.

The agreement reached through IDA-13, which was concluded in 2002, listed the implementation of systems 'to ensure that IDA assistance is effective and delivers measurable results' as one of the priority areas for Bank attention (World Bank 2002: i). Through this round of replenishment negotiations, the representatives of

shareholder states laid out an ambitious call for the Bank to make tangible what had hitherto been unknowable: the overall impact of the organisation on development. Specifically, through IDA-13:

> Deputies recommended that Management put in place a system to measure, monitor and manage for development results. The system should link progress in reaching country development outcomes to IDA country programmes and, given an appropriate database, should provide a clear indication of how IDA's programmes promote the achievement of these outcomes.
>
> (World Bank 2002: 7)

It is in this report that the Bank's principals for the first time explicitly suggest that the MDGs be used as the metric against which the organisation's effectiveness is assessed:

> Deputies recommended that the MDGs provide a basic point of reference for measuring outcomes, with countries themselves monitoring and reporting on progress.
>
> (World Bank 2002: 8)

With these demands, the Bank's shareholders acted to consolidate the reframing of the Bank's mission and to focus the minds of staff on quantifiable poverty reduction as a primary goal of its lending operations with low-income members. Moreover, the United States, who at this time remained the single largest IDA donor, launched an extraordinary initiative in order to catalyse this shift.

At the conclusion of IDA-13, the US government offered an unprecedented direct inducement to the Bank to accelerate the embedding of its results agenda. In early 2002, the administration of President George W. Bush announced that it would contribute an additional US$300 million to IDA on the condition that the Bank met requirements that aid could be shown to generate 'measurable results'.[10] Health and education, two areas of central importance to the MDGs, were highlighted as particular areas in relation to which the Bank was called upon to demonstrate success (US Treasury 2002). In April 2002, Treasury Secretary John Snow announced that he was satisfied with the Bank's progress and said that he would ask Congress to appropriate the first US$100 million instalment (US Treasury

2003). In June of the next year, Undersecretary of the Treasury for International Affairs John Taylor 'gave an upbeat assessment' of the findings of an independent report into the Bank's ongoing effectiveness measures and announced that he planned to ask Congress to release the second instalment of US$200 million (Blustein 2004).

Returning to 'normal channels', shareholders' focus on the MDGs was consolidated through IDA-14, which was concluded in 2005. Although generally supportive of the initial efforts at mainstreaming the MDGs within systems to monitor IDA effectiveness, the creditors expressed concern at the quality of data that was available from the poorest group of borrowing countries. In order to overcome this crucial weakness in its monitoring system, in the IDA-14 report the deputies reiterate that 'an important IDA objective is . . . to enhance direct support for efforts to build capacity to measure results' (World Bank 2005: 15). This concern was reiterated during IDA-15 (World Bank 2008a: 22–23), and again in the position reached through IDA-16. Indeed the IDA-16 report begins by highlighting the imminent nature of the 2015 target date for reaching the MDGs, and the need to use this deadline as a motivation to ensure that the Bank's results agenda continues to be fine-tuned (World Bank 2011: i). The results agenda was again at the forefront of IDA-16, with Deputies placing 'the achievement, enhanced monitoring, and communication of "development results" as the overarching theme and main focus of replenishment discussions' (World Bank 2011: 3). Towards this end, measures to enhance governments' capacity to collate detailed socio-demographic data are focused on, and a new 'Report Card' approach to track the impact of IDA-supported projects has been announced (World Bank 2011: 3, 18–20).

So, through successive rounds of IDA replenishment negotiations, shareholder states have been increasingly 'turning the screws' in their attempts to use supplementary finance as leverage to encourage the Bank to perform according to its poverty-reduction-focused results agenda. Through PBA, money is now targeted to the recipients with whom the Bank will get more 'bang for its buck', and through the recently launched Report Card system, detailed information on the impact of IDA lending on poverty reduction will be collated and published in a single, readily accessible, point of access. And although these systems are first and foremost about shareholders' efforts to monitor and control the Bank, there is a

second, and broadly complementary, side to the story. All the while that IDA Deputies have been pushing the Bank to demonstrate its improved poverty-reduction performance, the Bank itself has been increasingly vocal about this aspect of its work. Poverty reduction is becoming both a monitoring device for shareholders and a legitimation device for the Bank to use to bolster its authority amongst its wider social environment.

It is broadly accepted that James Wolfensohn, who became President of the World Bank in 1995, played an important role not only in consolidating the poverty-reduction turn inside the organisation but also in placing the issue at the heart of its external image. In the early years of his tenure, Wolfensohn fought to fill senior management positions at the Bank with individuals who were sympathetic to his vision of 'comprehensive development' (Nielson et al. 2006) and embarked on something of a public relations blitz. Wolfensohn took the opportunity of his first Annual Meeting to present his goals for the Bank:

> One thing is clear: we must continue to act so that poverty will be alleviated . . . social justice extended, human rights strengthened and women rights advanced.
>
> (Wolfensohn 1995: 1)

Similarly, when announcing that the World Bank (alongside the IMF) would for the first time systematically write off the debts of a group of the poorest countries with the Heavily Indebted Poor Countries (HIPC) initiative, Wolfensohn proclaimed that the development was 'very good news for the poor' (1996: 1). And with his passionate rhetoric invoking images of putting smiles on the faces of impoverished children (Rich 2002: 28–29), earnest declarations of intent over dinner dates with NGO critics (Mallaby 2006: 145) and injunctions delivered through the mass media to global leaders to redouble their efforts in combating 'the world's most enduring problem' (Sen and Wolfensohn 1999), the ebullient President fought hard to put the previous decade of debacles behind the World Bank.

Beyond its figurehead, the World Bank's more routine representations of its mission also underwent a qualitative shift in the late 1990s. Although for several decades 'poverty reduction' had held a

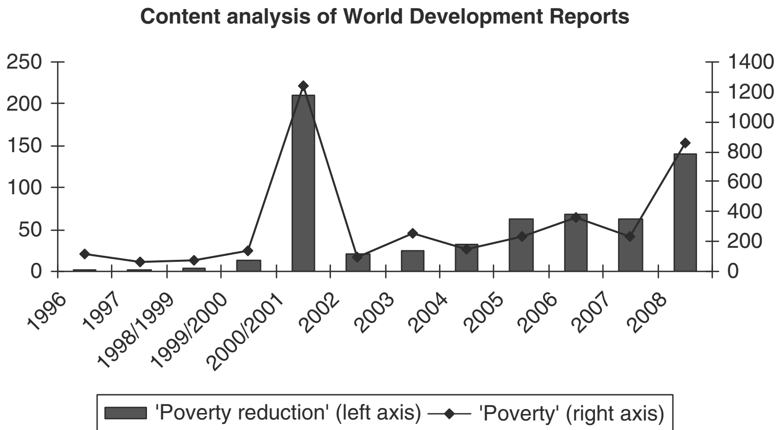

Figure 2.4 Poverty reduction as legitimation device (a)

significant place in the lexicon of the Bank and key publications had sporadically sought to raise the issue up the global agenda,[11] from the late 1990s (i.e. concurrently with shareholders' push with the results agenda) we see a more wholesale engagement with the issue (see Figure 2.4). An analysis of the content of the Bank's flagship publication, the *World Development Report* (WDR), reveals the extent to which reference to 'poverty reduction' expanded dramatically from the mid-1990s. [12] The content of WDRs matters a great deal in terms of the relationship between the Bank and its wider audience: with a minimum of 50,000 English language copies and a further 50,000 foreign language summaries of each WDR distributed to governmental, media, and civil society sources, and given their relatively accessible content, WDRs act as the 'public face' of the Bank (Wade 2001: 130, Mawdsley and Rigg 2002: 93). From a starting point of just two mentions in both the 1996 and 1997 WDRs, between 2002 and 2008 the phrase 'poverty reduction' appeared with an average frequency of 59 times.

Further evidence of a re-framing of the Bank's public image emerges when the Bank's management of its media relations is examined (see Figure 2.5). Exhibiting a clear upward trend, during the period from 1996 to 2006 the number of press releases issued on the subjects of 'poverty' and 'poverty reduction' grew from an average annual

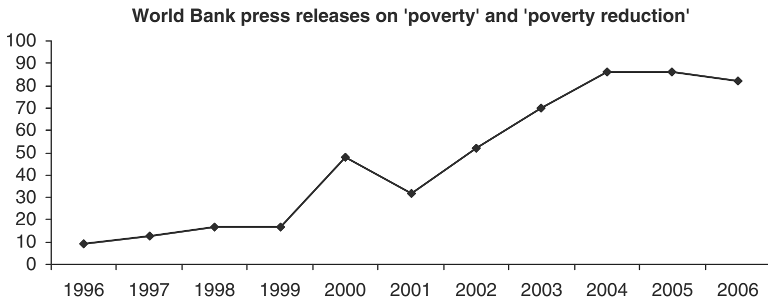

Figure 2.5 Poverty reduction as legitimation device (b)
Source: World Bank classification of press releases, available at http://web.worldbank.org/wbsite/external/news

total of less than 20 in 1996–99 to more than 80 in 2004–06. With a database of over 5,000 press contacts amongst whom information is circulated, these press releases are a vital component of the Bank's public relations management. The pattern that is evident during the late 1990s and early 2000s in the Bank's ramping up of its recourse to poverty reduction in its external communications follows an established trend. According to Sebastian Mallaby (2006: 310), the biographer of Wolfensohn, 'ever since its founding, the World Bank has periodically ramped up its messianic rhetoric in order to grab the attention of its shareholders'. With this concerted repositioning of the Bank as a poverty-reduction agency through both the activities of its President and the more everyday practices of its routine external relations, this particular revamp was both driven by and served to propel the concerns of shareholder states.

The story of the rise of poverty reduction up the World Bank's agenda goes back a long way, to the initial use in the 1970s of its evolving expertise to break away from the powerful norm that the organisation's lending be focused on directly revenue-generating projects. Following the crescendo of criticism that accompanied the Bank's decade of debacles from the mid-1980s to the mid-1990s, the Bank's major shareholders increasingly acted through IDA replenishment negotiations to push the organisation to improve its effectiveness, as measured in particular in relation to poverty reduction. And with the Bank's own recourse to poverty reduction as a means of legitimating its activities, a positive feedback cycle has emerged

around the issue. The impact inside and outside the Bank of these developments will be reflected on shortly. First, I shall provide an overview of ongoing efforts to enhance the capacity of developing-country governments to generate key socio-demographic data, as it is on this platform that the broader monitoring and legitimation efforts around the organisation will either stand or fall.

2.4. Filling the world with poverty indicators

Owing to the positive feedback cycle outlined above, effectively tracking the impact of IDA lending on poverty reduction in borrowing countries has become a central component of the politics of shareholder control at the World Bank. Creditor states have pushed for this link to be made explicit in order to provide them with better information with which to monitor the effectiveness of the Bank and have provided significant material incentives for the Bank to generate such data. It was at the turn of the millennium that the Bank started to systematically support its poorest borrowers to enhance their capacity to monitor socio-economic indicators, key amongst which were poverty indicators.

Evidence that is indicative of this turn can be seen in the amount of Bank resources that were directed towards statistical capacity-building projects, as listed on the Bank's *Statistical Information Database*.[13] Between 1996 and 2006, assistance in this area to the lowest income IDA borrowers more than doubled every two years (Figure 2.6).[14] From a low base-point, by the end of the period each of the countries received an average annual package of some US$570,000. Relatively small amounts can achieve significant results in statistical capacity building: a figure of approximately US$140,000 covers the formation of a ten-year National Statistical Development Strategy.

According to its internal evaluations, the Bank's efforts to improve the capacity of its poorest borrowers to track key poverty indicators have been relatively successful (Figure 2.7). The Bank's assessment of country capacity to collect data relating to the MDGs shows that the results for this group have on average improved for each of the years for which data is available and that on average their capacity is higher than that of the general Bank borrower. An analysis of the longer term trend in the low-income countries' statistical capacity, as shown by

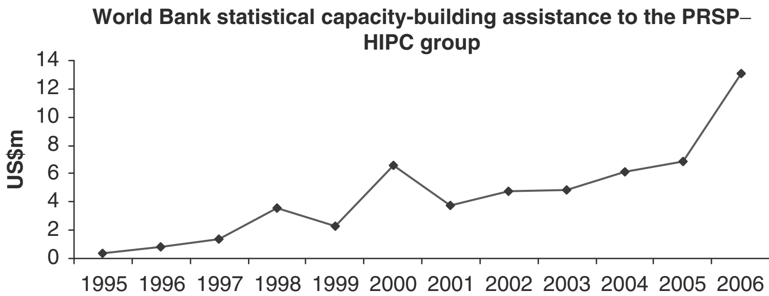

Figure 2.6 Funding the world to track global poverty
Source: Calculated using figures from World Bank Country Statistical Information Database.

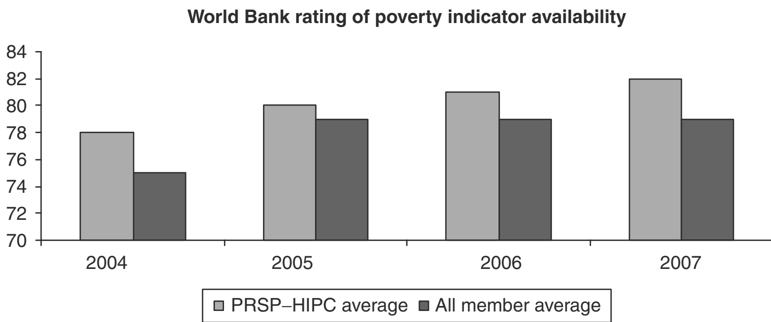

Figure 2.7 World Bank assessment of growing global statistical capacity
Source: World Bank Country Statistical Information Database (2008).

the completeness of the data on the World Bank's *World Development Indicators Database*, confirms this trend. From an average completion of rate of just 25 per cent (i.e. with 75 per cent of the indicators for the MDGs, on an average year, not collected), the average figure in the years 2003–06 had almost doubled to 43 per cent.[15]

This capacity-building drive was significantly accelerated in 2007, with the launch of the ARMS. It is widely acknowledged that ARMS emerged as a direct consequence of shareholder pressure in IDA-13, and in particular the US$300 million inducement provided by the United States for the Bank to bolster its (and by implication IDA recipients') data collection capacities. ARMS serves as a hub around which borrowers' statistical capacity building can be coordinated, and data

on the impact of IDA-supported projects disseminated. As the World Bank (2007b: 1) announcement of ARMS stated:

> [With ARMS] the Africa Region rolls out a groundbreaking system that gathers and shares data on the Results Agenda – all in one place and accessible to all.

Under the rubric of ARMS, the Bank has supported impact evaluations in 20 countries. Again, in the words of the Bank (2009a):

> By providing robust evidence on which projects have positive impacts on important outcomes such as household income, educational attainment, child mortality, and maternal health, impact evaluation can help programme managers decide best to contribute to meeting the Millennium Development Goals.

So far, over 800 government officials have been trained by the Bank to incorporate the results framework into domestic decision-making processes and to contribute the information that they collate back into the system.[16]

In addition to ARMS, the recently announced 'Report Card' system will serve to upgrade the quality of data on the poverty-reduction impact of Bank projects. Initially developed inside the Bank in the form of the Participation and Civic Engagement Group's 'Citizen Report Card',[17] the scheme has evolved into a mechanism for providing increasingly detailed information about the performance of individual Bank lending operations. Through the IDA Report Card system, Bank staff are required to collate data about the outcomes of projects on a range of core indicators, including the MDGs (World Bank 2011: 3). The transmission of the scheme from within the Bank to IDA Deputies illustrates the degree to which Bank actors are able to shape the standards of appropriateness with which shareholders monitor and evaluate the organisation.

The electronic dissemination of information plays a vital role in ARMS, and the Report Card system has also been designed with this goal in mind. Within the ARMS section of the Bank's website, an Impact Evaluation Database provides details of specific project evaluations that have been carried out within 46 African countries. The publicly accessible database allows for evaluations of the impact of

Bank supported projects on the MDGs to be found, and information on methods of data collection and analysis are included in the evaluation synopses. The expectation is that, in addition to Bank-directed dissemination of best practices, such resources will allow for a snowballing in the improvements to borrowers' ability to monitor and assess project impacts on the a range of poverty indicators. Although the Report Card system is, at the time of writing, still under construction, IDA Deputies have been clear in expressing their hope that the light of public scrutiny that it has been designed to generate will serve to pressure the Bank to further increase the impact of its projects – and ultimately of shareholders' resources.

The push to quantify poverty reduction is a core component of the evolving results agenda at the World Bank, which is serving to both increase shareholder states' ability to monitor and control the organisation, and providing the Bank with a significant resource through which to legitimise its activities. Over the last decade, routine statistical capacity building has been joined by ARMS and the IDA Report Card to improve both the volume and quality of data on offer about the impact of Bank projects on global poverty reduction, with a particular focus on the MDGs. Whilst these developments are commonly presented as a narrowly technocratic and managerial exercise, this characterisation is in fact deeply misleading. Any attempts to fix the meaning of key developmental terms are highly political and will inevitably impact on differently located actors in contrasting ways. At the Bank, there is a crucial intersection between the shareholder-sponsored push with the results agenda and long-standing debates within the organisation over how to operationalise its developmental mandate. The stakes of these internal debates are high, concerning at a fundamental level how the Bank *sees* the challenge of global poverty reduction. It is to this debate that the closing section of the chapter now turns.

2.5. The results agenda and the internal 'battlefield of knowledge'

Quantification plays a central role in the concretisation of intersubjective understandings about aspects of economic life, a process that is both subtle and drawn-out. Over a long period of time, a transformation occurs whereby concepts evolve from an initially

highly contested, malleable form, to being regarded as representing a self-evident and pre-existing object, contested only at the margins. Through a process of abstraction, homogenisation, and sedimentation, complex social phenomena are reduced to a small number of measurable features that, with the aid of standardised data collection techniques and official statistics, become an unreflexively accepted part of everyday existence. How aggregate social and economic outcomes are defined, measured, and interpreted – and how appropriate policy responses are crafted – is never a neutral process (Blyth 2002: 150, Breslau 2003: 381). This process is as true for understandings of 'poverty' as for 'savings', 'investment' and 'inflation'. At the World Bank, shareholders' promotion of an MDG-based view of poverty has helped to open space for advocates of a 'multi-dimensional' conceptualisation of poverty, and entrepreneurial groups are working to re-form the dominant understanding of poverty in this direction.

Within the Bank, contests over the understanding of 'development' and 'poverty reduction' are ever-present, and the dominant understanding of its mission has been transformed several times through the course of its history. The alliance building through which paradigmatic change takes place occurs both internally among the staff of the organisation and externally when factions within the Bank join forces with different communities outside of the Bank (Kapur et al. 1997: 215–33, Wade 2001). Such dynamics are clearly visible in the contemporary contests over how the Bank should conceptualise poverty, as internal advocates are advancing their favoured vision by drawing on the space opened up by shareholder pressure. In terms of the analytic framework outlined above, the 'positive feedback cycle' (initiated when the Bank's repositioning of 'poverty reduction' at the core of its activities was followed by shareholder attempts to monitor Bank performance according to a poverty-reduction metric) has begun to intersect with the organisation's internal dynamics.

At the Bank, the present juncture is characterised by disagreements between, on the one hand, advocates of an 'economic development' framework who see growth, liberalisation, and globalisation as being good for the poor and, on the other hand, advocates of a 'social development' framework who see the direct input of the poor in projects that challenge domestic power structures as being key to solving the causes of poverty. The former hold an

ideational framework within which 'top-down' policy changes are held to be the most effective means of fostering development and poverty reduction; the latter concentrate much more on projects that empower the poor to alter domestic social structures. The cleavage between the two groups is deeply institutionalised in the Bank, with adherents of the social development approach clustering around a small number of functional departments and units within the Bank. The economists remain dominant, and the bulk of the Bank's lending remains focused on projects and programmes that are negotiated with little or no input from social development staff (Bebbington et al. 2004: 39–51).

A key site of the battle between the different factions is the question of how to measure the success – or otherwise – of Bank supported interventions. The economists' favouring of the $1 per day income headcount measure stems from a number of sources, including importantly the amenability of such income data to the established techniques of macroeconomics and the perceived reliability of the National Accounts from which the data is drawn (Deaton 2001, Deaton and Kozel 2005). By contrast, the social development practitioners' conceptualisation of poverty as a multi-dimensional problem leads them to favour measures that incorporate a range of data on consumption, health, and educational levels. A major barrier that has restricted this group's ability to get individuals occupying vital strategic positions to take their ideas onboard has been the difficulty of proving, according to accepted statistical standards, the relationship between 'social development' and the more deeply entrenched income-based measures of development. Owing to the organisational structure of the Bank, Country Directors are the single-most important group whose 'conversion' is needed for the dominance of an economistic view of poverty to be challenged.[18] Country Economists and researcher staff within the Development Economics Vice-Presidency (DEC) are also important ideational gatekeepers (Bebbington et al. 2004: 44–45, Broad 2006).

The Poverty Reduction Group within the Bank's Poverty Reduction and Economic Management network, described previously as a 'small powerhouse' of social development ideas within the Bank (Bebbington et al. 2004: 49), has been at the forefront of promoting the multi-dimensional view of poverty. Through its research work, the Group has spearheaded efforts within the Bank to situate the

analysis of a multi-dimensional conceptualisation of poverty within an econometric framework. The Group clearly states its aims in this regard on its section of the Bank website:

> While much progress has been made in measuring and analyzing income poverty, efforts are needed to measure and study the many other dimensions of poverty.... This work includes assembling comparable and high-quality social indicators for education, health, access to services and infrastructure.[19]

By embedding a multi-dimensional conceptualisation of poverty within a quantitative approach, the Poverty Reduction Group is helping to attract the interest of key constituencies within the Bank to the broader aspects of poverty. In practical terms, the Group has maintained an entrepreneurial *modus operandi* and has favoured an informal networking approach to encourage Country Directors and others to sharpen up the poverty focus of Country Assistance Strategies, Poverty Reduction Strategies, and other important operational documents (Poverty Reduction Group 2006).

Interestingly, the Poverty Reduction Group has begun to explicitly draw upon the conceptual space opened up by the shareholder-backed results agenda in order to advance its internal alliance building. Within their attempts to proselytise, the Group explicitly presents their activities as enabling operational staff to meet the demands to perform (and to be seen to perform) according to an MDG-focused conceptualisation of poverty reduction. Training sessions organised by the Group, for example, speak of the 'tremendous pressures' from the IDA-14 and 15 replenishment negotiations as contributing to the need to refresh the Bank-wide approach to impact evaluation of poverty-reduction programmes.[20] By slowly chipping away at the dominant economism of their colleagues and by drawing on the results agenda to bolster their message, these staff are working to creatively bridge between external pressures and internal norm change.

Change in the way large bureaucratic organisations such as the Bank approach their mission is necessarily complex, relying on the evolution of inter-personal relationships that are often difficult to observe. Here, we see an intriguing example of the interplay between

external and internal forces within this process. The pressure and conceptual space released by the shareholder-backed results agenda have been taken up by internal sympathisers as a tool to enhance their attempts to reshape the understanding within the Bank of 'poverty'. Although such changes occur incrementally and over the long term, shareholders' push to monitor the performance of the Bank has subtly altered the terrain on which this process is unfolding.

Numbers are a powerful resource in the arena of global economic governance, offering shareholder states a means to enhance their ability to monitor IOs, and IOs a resource with which to bolster their authority and to manufacture autonomy. In the context of a positive feedback cycle of IO monitoring, the interaction between an IO's ability to frame its principals' understandings of its mission, and the use of material incentives by these states to push for evidence of improved performance according to a refined understanding of the IO's mission, can accelerate the drive to quantify elements of the social world. This is the case with the World Bank's results agenda, through which shareholders have tied IDA replenishments and conditional grants to the Bank's ability to demonstrate an impact on global poverty, as understood primarily in relation to the MDGs.

However, far from being a neutral technocratic exercise in ensuring effectiveness and 'value for money' from the Bank, the drive to quantification is a deeply political act. The renewed focus on a multi-dimensional conceptualisation of poverty that has come through the results agenda has impacted on long-running contests within the Bank over how the organisation should approach development and poverty reduction. In an attempt to build alliances across the Bank to embed the multi-dimensional view of poverty, internal advocates – particularly the Poverty Reduction Group – have seized upon the ground opened up by shareholder pressure. Although change in the World Bank is always a long and unpredictable process, external pressures have combined with internal innovation to re-energise the battle of ideas at the heart of the organisation. Whatever the long-term outcome, numbers, along with the ability to demonstrate arguments according to an econometric framework, will remain a potent weapon in the politics of shareholder control at the World Bank.

Contests over the understanding of the Bank's core aim in its interactions with low-income countries, and over the appropriate

ways of assessing its performance in relation to this aim, have been ever-present throughout the history of the Bank. At different times, internal and external actors have played key roles in this battle, and the forging of alliances has often provided renewed impetus to particular projects. The traction that shareholders currently have on this issue is unsurpassed in the recent history of the Bank. The concluding chapter of the thesis reflects on the impact of this shareholder control on the prospects for a democratisation of global economic governance. Whilst there is evidence of the ongoing efforts to lock in the Bank's focus on poverty reduction beginning to exert a distinctly totalising effect, the dynamics of stakeholder control examined in Chapter 4 present evidence of the capacity to influence outcomes being transferred to domestic populations. More immediately, Chapter 3 now turns to the politics of shareholder control at the IMF.

3
Shareholder Conflicts and the Rise of Social Spending at the IMF

> PRGFs aren't about balance of payments, they're essentially budget support .... We in the US Office think the IMF should stay closer to its mandate.
>
> (Senior Official, US Executive Directorate of the IMF, December 2008)[1]

> What is required now is output measurement [of PRGF programmes] .... We say that we have helped the poor, but we are not sure if we have helped them in a manner that will uplift them out of poverty.
>
> (Senior Official, Africa Group II Executive Directorate of the IMF, December 2008)[2]

During the closing years of World War II, when the potential form and function of the IMF was being discussed among allied policy makers, the needs of developing countries were considered as, at best, a secondary matter. The main concern of the architects of the Bretton Woods System was that a mechanism for ensuring stability in the exchange rates of the major global currencies be established, in order to provide a predictable environment in which international trade could recover. It was thought that the prosperity of developing countries, which largely operated within colonial currency blocs, would best be ensured with the IMF acting as an effective systemic guardian. However, as over time developing countries have become independent members of the IMF and as the structure of the international monetary system has profoundly altered, the relationship between

the Fund and this group of states has become much more intimate, much more long term, and also much more controversial.

Ever since the launch of the IMF's concessional lending operations in the early 1970s, disputes between key shareholders have led to competing pressures for reform being placed on the organisation. The cleavage has been broadly defined by differing views over where the line between balance-of-payments issues and wider developmental concerns should lie, with a US-led minimalist grouping seeking to keep tight reigns on the IMF and a European developmentalist grouping adopting a more flexible attitude. Although the depth of this cleavage has waxed and waned over the years, European states have consistently used the provision of supplementary finance as a tool to shape the organisation's activities in their favoured direction. And given that this fundamental conflict has yet to be resolved, there has been an intriguing development in the politics of shareholder control at the IMF in recent years: a broad agreement amongst shareholders has emerged that, regardless of the ultimate desirability of the organisation's lending engagements with low-income members, the impact of Fund-supported programmes on domestic populations must be more effectively tracked. In a close parallel to the dynamics of shareholder control at the World Bank, poverty reduction has become an increasingly important measure of success. But this time, rather than the MDGs, Fund shareholders have shifted towards the idea of 'social expenditure tracking'. Whether shareholders ultimately support or are hesitant about the Fund's engagements, it seems that they have a strong desire to at least see tangible proof that the organisation is, to borrow Gutner's (2010) phrase, 'doing good'.

In outlining these dynamics at the IMF, this chapter proceeds according to the following structure. The opening section introduces the conceptual framework, which allows for a comprehensive understanding of the politics of shareholder control at the IMF to be presented by capturing the interplay between the mechanisms upheld by rationalist and constructivist approaches in this course of events. Under the Fund's 'consensual' decision-making arrangements, the deployment of material power by European shareholders has played a key role in reshaping the Fund's lending operations. In addition, shareholders' attempts to monitor and enhance the effectiveness of Fund programmes have served to create an increasingly tightly defined – and poverty-reduction focused – yardstick of success. So,

as was the case at the Bank, material power and the reduction of information asymmetries are working to catalyse norm change at the Fund. In the second section, I review the developments that established the IMF's core expertise in the field of short-term balance-of-payments management in the early years of the organisation's existence. This foundation helped shape shareholders' understandings of the IMF's central mission, and provide the point of reference against which they continue to evaluate the appropriateness of the organisation's concessional activities. In the third section, I review the shift into lending to the developing world by the IMF, which took place in the early- to mid-1970s with the formation of the Oil Facility, Enhanced Fund Facility (EFF), and Trust Fund. Even at this early stage, there was a split between the US and European Executive Directors, which illustrates the historical depth of contemporary differences. In the fourth section, I outline the moves to routinise concessional lending at the IMF, which came with the launch of the Structural Adjustment Facility (SAF), Enhanced Structural Adjustment Facility (ESAF), and Poverty Reduction and Growth Facility (PRGF). Here, supplementary finance has helped push the Fund in a 'European' direction. In the penultimate section, I explore the contemporary efforts being made by Executive Directors from across the Board to make the Fund more poverty-reduction friendly. Attempts to track the impact of Fund programmes on low-income groups in borrowing countries took off in 1998 with the creation of mechanisms to track 'social expenditure' in Fund programmes, and recently these efforts have been redoubled through an ongoing push to monitor (and to advertise) the IMF's poverty-reduction impact. This chapter concludes with a review of the lessons that can be drawn from the dynamics of shareholder control that have been explored, and a look forward to the implications of this on prospects for the democratisation of global economic governance.

3.1. Money, information, and control at the IMF

International organisations are, by nature, institutional repositories of expertise. Tasked with the management of complex problems of global policy-making, IOs are able to amass highly qualified staff and build up impressive layers of institutional memory over the course of their operations. This recognised expertise is widely thought to act

as a form of insulation for international organisations to provide a barrier against meddling political actors who, unable to fully grasp why the agency does what it does, leave it to its own devices. Furthermore, as an organisation deeply wedded to the central tenets of its 'economic expertise', this trend has been said to be particularly strong at the IMF (Barnett and Finnemore 2004: 48–51). But although widely held to be true, this conventional wisdom fails to capture key aspects of successive reforms to the low-income country operations of the IMF. Here, as we shall see, major shareholders have played a central role in shaping operational change. And by making a concerted push to tie the Fund to poverty reduction, shareholders are trying to graft a largely external idea onto the organisation. By linking up the insights of the rationalist approach with the constructivist framework, we are able to fully capture the nature of these dynamics. State action, though shaped by existing ideational frameworks, has served to accelerate operational change in this arena of global economic governance.

At its heart, the PA approach to the study of international organisations seeks to explore how states try to optimise the balance between control and delegation. On the one hand, state representatives have a desire to expend a limited volume of resources in keeping watch over the IO, in order to maximise the gains they receive from delegation; on the other hand, leaving too much room for autonomous activity increases the likelihood that errant behaviour will occur. There is, however, a second level to this state–IO game, a level that is particularly pertinent to the politics of shareholder control at the IMF. Whilst some PA analysts have assumed that principals' interests are mutually shared (e.g. Gould 2006b, Martin 2006), other analysts have begun to explore the important role played by intra-principal disputes in the world of IOs (Copelovitch 2010: 43–49). If left unresolved, disagreements amongst principals can lead to increased agent autonomy, as canny IO management are able to exploit disagreements to advance their own preferences (Kiewert and McCubbins 1991: 26, Worsham and Gattrell 2005: 366). However, and in line with earlier liberal institutionalist analyses (Oye 1985, Keohane 1998), rationalist work has also outlined the many ways through which disputes can be overcome. While formal decision-making processes and balances of material power matter, lower order states, by behaving strategically and working to form

veto coalitions on particular issues, can exert significant influence on outcomes (Garrett and Tsebelis 1996: 269, Lyne et al. 2006: 59). Throughout the history of reforms to the Fund's concessional lending activities, this tactic – the formation of coalitions and deployment of financial power – has repeatedly been employed. Through such action, developmentally orientated shareholders have been able to secure key victories and push the organisation to increase its lending engagements with low-income members.

So, the PA approach usefully directs attention towards the importance of the strategic use of material power in shaping outcomes in state–IO relations. In addition, a second issue identified by the PA literature is particularly apposite to the politics of shareholder control at the IMF: the need to overcome information shortages. In an institution such as the IMF, gaps can emerge in the expert knowledge held by state actors, which inhibit their ability to effectively evaluate the IO's activities. When added to their restricted administrative capability, this can leave shareholders severely hamstrung. So, for example, state actors at the Fund generally occupy a weak position from which to evaluate the appropriateness of lending arrangements:

> Even when states oversee activities closely, it is often impossible for state representatives to have the necessary expertise to craft complex, effective programmes in a timely fashion .... Staff members are responsible for collecting and being the repositories of necessary economic and political information to design policies that are likely to succeed.
>
> (Martin 2006: 145)

In order to reduce this gap, internal evaluation units have in recent years become a more widely employed remedial mechanism (Gutner and Thompson 2010). Indeed, the IMF's Independent Evaluation Office (IEO) provides a high-profile illustration of this trend and has rapidly become a respected source of such information (Weaver 2010). In the ongoing reforms to the Fund's concessional lending operations, the IEO has played an important role as information provider, enhancing the ability of both minimalist and developmentalist shareholders to more effectively push for organisational reform. In the battle to reshape the Fund's engagements with low-income

countries, knowledge – and particularly knowledge expressed in 'hard' macroeconomic terms – is power.

In addition to the importance of having a means of 'catching up' with the expertise base of an IO, there is a second way in which information matters in the politics of shareholder control at the IMF. It is readily acknowledged by Fund insiders that the aggregate impact of Fund programmes on borrowing-countries' economies is impossible to gauge with a high degree of accuracy. Alongside the ever-present 'problem of attribution' (how far should the IMF be praised or blamed for a programme that is designed in consultation with the relevant member and implemented by that member), the counterfactual modelling used to estimate likely performance *in lieu* of an IMF arrangement contains 'a minefield of conceptual pitfalls' (Schadler 1995: 618). As has been shown by PA literature to be common practice in analogous situations (e.g. Whynes 1993, Norman 2004, Grieling 2006), proxy-indicators have become increasingly important to shareholders at the Fund. Relatively simple data trails have been established to track the volume of social spending in concessional lending arrangements, which are being used as a window onto the organisation's performance in relation to poverty reduction.

As was the case at the Bank, the full impact of shareholders' deployment of financial resources and use of monitoring techniques becomes clear only when considered as component parts of a wider cycle of norm change. And in order to do this, we must turn again to the constructivist approach to the analysis of IOs. Whereas the PA model focuses on the means at the disposal of states to coerce IOs into compliance, in highlighting the importance of processes through which meanings of key ideas are contested, fixed, and disseminated, the constructivist approach encourages us to analytically take a step back. For constructivists, the most important source of an IO's power comes not from its control of financial resources or from the impressive volumes of data at their disposal, but from a more foundational type of influence: the ability to shape how important aspects of the social world are understood by actors within their social environment (Immergut 1998, Barnett and Finnemore 2004: 22–27).

During its early years, the Fund was successful in establishing itself as a respected authority in relation to the management of the international monetary system. Its evolving stock of expertise helped frame short-term balance-of-payments emergencies as situations requiring

monetary policy corrections by the deficit country, and early on the release of loans from the Fund in such situations came tied to the implementation of these actions. Policy norms, however, are rarely static entities (Finnemore and Sikkink 1998, Park and Vetterlein 2010). As the IMF came to become increasingly engaged with lending to low-income countries, conflicts emerged over the 'fit' between such activities and the Fund's established role. It is in this context that the disputes between the European and US shareholders at the Fund took shape. And, crucially, at the IMF there is an established norm that the United States should sit in the shadows of European states, to as great an extent as it is possible from the organisation's single most powerful member to do.[3] In combination with the Fund's consensual decision-making arrangements (which, as votes are rarely taken, ensure that the United States' formal ability to veto key decisions cannot be readily deployed), this behavioural norm serves to tilt the playing field in European members' favour.

In common with domestic institutional reform, policy change in international organisations comes along in fits and starts. Major reform is predicated on the involvement of political actors and senior management, who are generally needed to 'get the ball rolling'. However, to attract the attention of these key individuals, it often takes the unfolding of a period of crisis. Because of this, reform in IOs often follows a pathway of 'punctuated equilibrium': by leading actors to draw inferences about what is (no longer) working, crises create opportunities for norms in global economic governance to be reassessed (Brassett et al. 2010, Moschella 2011); and by challenging the authority of established actors, crises can alter the balance of power between states and IOs in the contest to redefine this understanding (Bauer 2002: 387, Boswell 2008: 472–73). At the Fund, a series of crises in the wider global economy have provided the contextual junctures at which major reforms to its concessional lending activities have taken place. In addition, the Fund's 'legitimacy crisis', which struck the organisation in the aftermath of the Asian Financial Crisis of 1997–98 (Wade 1998, Elliott 2006, Best 2007, Seabrooke 2007), provided the Fund's major shareholders with a prompt to ensure that the Fund was doing good in its concessional lending operations. The establishment of social expenditure tracking systems has served to challenge Fund staffs' ambivalence to this 'developmental' issue and has done so in a manner that highlights

the intersection between rationalist and constructivist approaches to IOs.

By adopting an analytic framework with an explicitly diachronic focus, we are able to capture the interplay between ideational structure and agency in processes of change in global economic governance. This allows us to see that the (rationalist) contests between state-principals and IO-agents and (constructivist) processes of norm change are essentially two sides of the same coin: the 'games' played between shareholders and the Fund regarding policy reform are both shaped by, and themselves reshape, understandings of the appropriate role of the IO. In contrast to the positive feedback cycle at the World Bank examined previously, at the Fund we see that disputes amongst state representatives have been a prominent feature of the politics of shareholder control at the Fund. Although the deployment of material resources has served to circumvent these disagreements, they remain an active feature of life at the IMF. However, notwithstanding these continuing contests over the appropriateness of the organisation's concessional lending operations, a general consensus that the impact of Fund-supported programmes on poverty reduction should be more closely tracked has led to a significant redefinition of the purpose of such activities. Figure 3.1 provides a schematic representation of this overall process.

As the following sections of this chapter show, agreement emerged in the early years of Fund operations that the organisation's primary aim was the provision of emergency assistance to member states with severe balance-of-payments disequilibria. It also became rapidly established that attaching macroeconomic performance targets to high-access loans was an appropriate *modus operandi* for the Fund to follow. When, in the late 1980s, the shift in IMF lending operations towards developing countries was consolidated with the formation of the SAF and ESAF, the belief that Fund- supported policy programmes needed to incorporate supply-side elements in order to facilitate effective balance-of-payments corrections led to changes in the timeframe and content of IMF agreements with low-income countries. In recent years, pushes from minimalist shareholders to limit the extent of Fund engagements with low-income countries have been matched by efforts from developmentalists to ensure that the organisation's resources remain available to developing countries. These dynamics have led to a series of contradictory reforms, although both sides

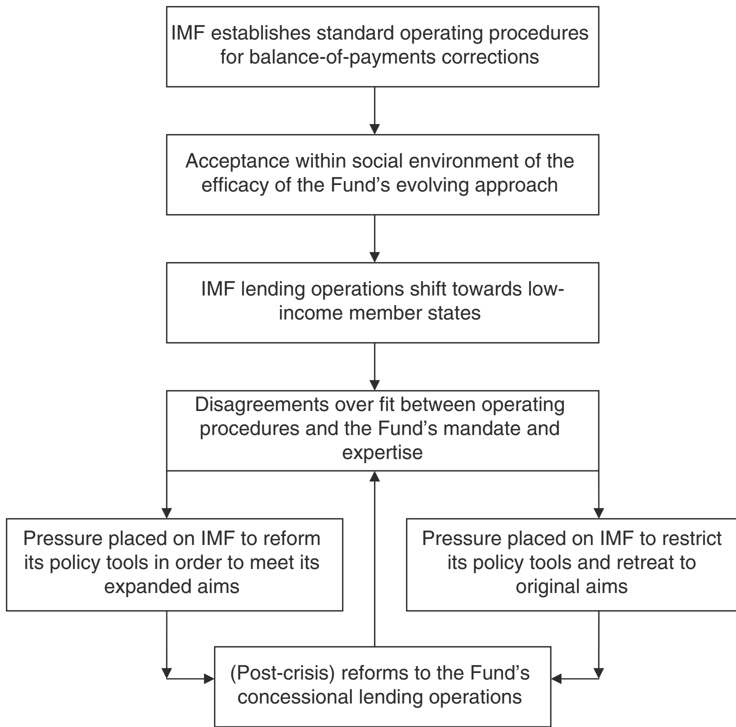

Figure 3.1 Contested control over IMF lending reforms

have recently coalesced around the idea that greater efforts need to be made to track the impact of programmes on poverty reduction. Over the course of its recent history, the application of material power and the establishment of enhanced monitoring techniques have served to catalyse operational change in the IMF's concessional lending and to definitively tie the organisation in to the business of global poverty reduction.

The long-standing and at times public split between US and European representatives demonstrates that wider identities matter in the politics of shareholder control at the IMF. This division has, of course, not remained static throughout the Fund's drift into concessional lending, but rather has waxed and waned through different periods. Nonetheless, the key developments considered below

do form signal events, highlighting deep-rooted differences in the way that the role of the IMF is seen. As a first cut explanation of these differences, we can turn to historical patterns of aid giving: the United States has traditionally had a more narrowly security-focused approach to bilateral aid, whereas the Europeans (and, in particular, the British and French) have had a wider range of goals, including importantly supporting former colonies (Lebovic 2005). And while it is difficult to identify their precise origins, by leading US and European shareholder to interpret the 'fit' between the organisation's evolving concessional lending practices and its core area of expertise in contrasting ways, these background frames of reference continue to shape the politics of shareholder control at the IMF.

3.2. Constructing the Fund's balance-of-payments expertise

Ideas about what an international organisation should do, and about how it should go about doing it, are inherently flexible. Networks of external and internal actors are commonly forged within and around an IO in order to advance a particular understanding of the core aspects of its mission. Over time these networks can effect dramatic changes to how the organisation's primary goals are both defined and met. There is, however, an overarching 'stickiness' that limits the range of possible outcomes. In this regard, the formal mandate of an IO and the *modus operandi* that becomes established in the opening stages of its existence are of particular importance (Vetterlein 2006). At the IMF, initial patterns that emerged regarding the organisation's operationalisation of its balance-of-payments remit have cast a long shadow, which has served to shape actors' differing interpretations of how the Fund's interactions with low-income countries should be structured. The disagreements that have emerged between the United States and the Europeans have revolved around how far the 'original' basis of the Fund's expertise should be allowed to stretch. Over time, the conservativism of the United States has been consistently matched by the more permissive attitudes of European and other member states.[4]

The governance structure that was set up for the IMF mirrored that of the World Bank, reviewed in the previous chapter. Under the arrangements, all member states are represented on a Board of

Governors. Using their voting power, determined by the size of their quota contribution to the Fund's lending base, state representatives appoint Executive Directors to an Executive Board that has responsibility for the conduct of the general operations of the Fund. The largest quota holders each appoint a single Executive Director;[5] the other members are arranged into groupings of between 4 and 23 that collectively elect an Executive Director.[6] The Executive Board meets several times a week to discuss both general policy issues and country-specific assessments, and although technically Executive Directors carry the combined weights of the countries they represent into Board votes, in practice decisions are made on a 'consensual' basis and votes are rarely taken. The Board is chaired by the IMF Managing Director, who, owing to a freedom to recommend actions based on the 'mood of the meeting', exercises considerable informal power. In 1974, an Interim Committee was added to the governance structure of the Fund. Composed of 24 Governors of the Fund and reflecting the composition of the Executive Board, the Committee meets biannually to discuss potential major operational changes to the IMF (Woods and Narlikar 2001, Woods 2006: 15–38).[7]

A relatively high degree of autonomy from its shareholders is built into the financial structure of the IMF. Whereas many IOs are forced to go 'cap in hand' to their state masters on a regular basis (and so face the inevitable attempts of states to link funding to particular outputs), the Fund is insulated from this pressure. The paid in 'quotas' of member states provide the revolving funds that are lent by the IMF, and the operating costs of the institution are covered from within the interest charges levied on borrowers (Woods 2006: 15–38). Members' quotas are calculated according to their relative importance to the global economy and are composed of 25 per cent Special Drawing Right (SDR) and 75 per cent domestic currency (James 1996: 51).[8] However, this relative autonomy does not hold in relation to the Fund's concessional lending activities. Instead, the IMF's low-income lending facilities have been financed in large part through the provision of resources by shareholder states.[9] And unlike IDA replenishment talks, which take place in a neutral forum, negotiations around the provision of this supplementary finance have taken place at the Fund's Executive Board.

When its Articles of Agreement came into force in 1945, the core task with which the IMF was charged was maintaining the stability

of the international monetary system. In Article 1 of the Fund's mandate, a stable monetary system was laid out as *the* foundation upon which the balanced growth of international trade could occur, which it was hoped in turn would raise rates of productivity, growth, and employment across member states. A central mechanism through which monetary stability was to be achieved was through the Fund's provision of financial resources to members with external imbalances.[10] By allowing members access to a collective pool of offsetting finance, the IMF was designed to 'shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members'.[11]

As is well known, there was initially a great deal of debate as to what shape the rules governing access to Fund resources should take. In the 1944 discussions at Bretton Woods, John Maynard Keynes, negotiating on behalf of the UK government, fought for a light approach to be taken regarding access rules. Keynes cautioned in particular against the dangers of the IMF 'being grandmotherly' – behaving as a hectoring matriarch, forcing her wisdom onto family members in return for handing out money (James 1996: 78).[12] However, as during the early years of its operations, the Fund acquired an unparalleled level of expertise on balance-of-payments problems, the 'Old Lady of 19th Street' began to become distinctly grandmotherly. From the late 1950s onwards, the practice of attaching monitored policy conditionality to loans became increasingly commonplace (Boughton 2001: 558).

The key analytic advances that provided the intellectual underpinnings to the Fund's use of conditionality were made in the early- to mid-1950s and were centred on the absorption and monetary approaches to understanding balance-of-payments issues.[13] The absorption approach to solving balance-of-payments shortfalls, notably expounded in *IMF Working Papers* by Alexander (1952), focused on the role played by domestic spending in aggravating a country's balance-of-payments position. Advances around this model led Fund staff to encourage countries with disequilibria to institute policies to dampen aggregate demand as part of a correctional policy package. Regarding the monetary approach, the contribution of Polak (1957), highlighting credit expansion as the primary causal factor in determining payments imbalances, influenced the inclusion of policies to restrict domestic credit creation in Fund-supported

programmes. In addition, later down the line – after the breakdown of the Bretton Woods System of fixed exchange rates in 1973 – currency devaluation also increasing became integrated into IMF policy conditionality (Dell 1983: 35, Killick 1995: 135, Sumner 2006: 1403–4). Although refinements and changes occurred in the Fund's modelling of balance-of-payments problems in later years, by the early 1960s the die of IMF conditionality had been cast. In particular, the burgeoning Fund expertise on balance of payments was of an avowedly macroeconomic form, concentrating on the 'big' fiscal and monetary policy levers available to states rather than the supply-side structural reforms that could potentially have addressed balance-of-payments disequilibria, albeit over a longer timeframe (Finch 1983: 78).

By the mid-1970s, there was a broad consensus amongst member states that the 'tough love' of IMF conditionality was a necessary and effective means of overcoming balance-of-payments disequilibria. Indeed, in their 1978 review of conditionality, the Executive Board made a call for members with significant external imbalances to turn to the expertise of Fund staff sooner rather than later in order to improve the chances of an orderly resolution of these problems (Boughton 2001: 559). However, as the Fund increasingly began to lend to low-income members, questions began to emerge about the efficacy of its established prescriptions in these new contexts.

During the opening decades of the IMF's existence, low-income countries did not figure prominently on the organisation's agenda. Owing to the relatively low number of politically independent developing countries, the existence of colonial currency blocs and their minimal engagement in networks of international trade, the question of how the Fund would operationalise its mandate with this constituency remained largely unasked. It was not until the 1970s that these countries became engaged in the Fund's lending operations to a significant extent (de Vries 1986: 118–20). However, once attempts began to be made to systematically arrange the terms of engagement between the IMF and low-income members, conflicting views on what constituted appropriate behaviour began to emerge, and the established norm of lending to cover short-term payments emergencies, with a strict application of monetary policy criteria, began to be challenged.

3.3. Stepping into concessional lending

From the mid-1970s, the centre of gravity in the use of Fund resources shifted dramatically towards the developing world. This shift represented a major re-orientation in the work of the IMF, and through to the contemporary era lending arrangements with developing countries have generally outnumbered those with industrialised members (IMF 2009a: Annex II). This shift has been accompanied by rising disagreements amongst the Fund's major shareholders as to the parameters that should be set regarding the Fund's engagements with this new group of constituents. Indeed, this contest has been referred to as 'a battle for the soul of the institution' (Boughton 2001: 644). US resistance to the formation of the Oil Facility Subsidy Account and early criticism of the 'light touch' approach of the EFF, alongside the contrasting position of European Executive Directors, demonstrates that the current divisions at the IMF have deep historical roots. In addition, these early disagreements illustrate that crises and coalition formation have consistently played an important role in the politics of shareholder control at the organisation.

The year 1973 marked the beginning of what became a major refocusing of the lending activities of the IMF. Over the course of the year, sanctions by the Organisation of Petroleum Exporting Countries (OPEC) in response to the Yom Kippur War, alongside more general supply limitations, saw the price of crude rocket (Morse 1999). Owing to the difficultly faced by importing countries in switching consumption away from such a vital commodity, current account deficits rapidly began to widen. The Fund's response was to create an Oil Facility, through which offsetting finance could be provided to countries with balance-of-payments problems. In order to make the Facility accessible to low-income countries, a Subsidy Account was appended to the Facility. Through the Subsidy Account, contributions from a group of 25 industrialised countries reduced the rate of interest charged to developing country borrowers from the standard Oil Facility rate of 7.7 per cent to 2.7 per cent (Boughton 2001: 639). The US government was openly opposed to the formation of the Subsidy Account, arguing that it both served to grant legitimacy to the OPEC action (which had specifically targeted the United States) and to enhance the sustainability of the shifted terms of trade that it had brought about (James 1996: 316). However, in spite of this

US opposition, the successful formation of a coalition of 25 member states who were willing to provide the necessary resources to establish the Account led to its creation. Counter to common understandings of how the IMF functions, here we see the strategic interests of the United States being overridden by a grouping of less materially powerful states seeking to establish a resource transfer mechanism to low-income members. Unsurprisingly, the United States chose not to contribute to the Subsidy Account (IMF 1981: 102).

The practice of the Fund making conditionality-free concessional resources available to low-income member countries was deepened in 1977, with the opening of the Trust Fund. To a large extent, the Trust Fund was the outcome of a combination of serendipitous circumstances; a compromised solution to a disagreement over the ownership of the IMF's stock of gold and a massive surge in its price. Like the Oil Facility, the Trust Fund was designed to assist Fund members through a 'temporary' crisis period in the mid- to late-1970s, and no monitored conditionality was attached to loans (de Vries 1986: 119). By providing resources to counteract an extra-ordinary external environment, these developments were still broadly understood by shareholders to be within the IMF's balance-of-payments remit.

At the same time as the Oil Facility and Trust Fund were acting to normalise the idea of the IMF as a provider of concessional resources to low-income countries with no monitored conditionality, a confrontation arose over the functioning of its parallel 'strings attached' lending. An EFF had been launched in 1974, in response to the growing belief amongst the Fund staff and Board that, rather than being a temporary 'shock', the oil price rise (and consequent balance-of-payments deficits) in fact represented a long-term change in the world economy. In order to promote the heavy reforms that adjustment by development countries would entail, it was decided that, in place of the standard one-year Stand-By Arrangement, EFF arrangements would have a three-year lifespan. In terms of the content of the conditionality, EFF agreements largely represented a continuation of 'business as usual', with the macroeconomic expertise of staff informing performance criteria (Haggard 1985: 556, Schadler 1995: 3). However, in rigorously applying its existing expertise regarding the correction of balance-of-payments problems to the new group of developing country borrowers, Fund staff inadvertently provoked a confrontation with a coalition of its European member states.

Partly owing to its low take-up rate, the EFF initially proved relatively uncontroversial. However, it was in 1979, with the second oil shock, that disagreements over its operations began to come out into the open. Immediately after the 1979 oil price hike, the French and British representatives pushed for the IMF to ensure that resources were available to assist low-income members through the inevitable period of balance-of-payments stress. Moreover, at the 1979 Annual Meeting, the French and British governments called for EFF conditionality to be relaxed so as to ensure that the organisation's potential to help developing countries was not stymied through the imposition of programmes that developing countries were unwilling or unable to submit to (Boughton 2001: 561–62, 637). Following this public pressure from major quota-holding member states, from 1979 there was a marked increase in IMF lending to low-income countries and a concurrent easing of conditionality (Williamson 1983: 640–46).

With these events, we see the emergence for the first time of a concern on the part of European members that the established expertise and *modus operandi* of the Fund might not be appropriate for the needs of low-income countries. In reaction, we also see the emergence of a US concern that, in its attempts to accommodate these new borrowers, the Fund was diluting its effectiveness. As early as 1981, US Executive Director called for a return to tough conditionality to counteract what was seen as the tendency towards 'more and more financing for less and less adjustment' in the Fund's engagements with developing countries. The US Executive Director also added his voting weight to the matter, withholding support for Fund arrangements with Grenada, India, and Pakistan on the grounds that an insufficient focus was being placed on conditionality (James 1996: 565).

The events around the Oil Facility Subsidy Account and the EFF illustrate that, from the outset, the Fund's increasing engagement with developing countries was marked by controversy. Although the US hostility to the Oil Facility Subsidy Account was informed by geo-strategic concerns as much as beliefs about what constituted appropriate activity on the part of the Fund, the success of the 25-country coalition demonstrates the inability of the United States to dictate processes of change within the organisation. The US resistance to the 'watering down' of EFF conditionality, by contrast, provides an early example of the US view that the efforts of the

Fund, in its engagements with low-income countries, must be tightly focused on the resolution of balance-of-payments problems. Meanwhile, European permissiveness on this issue presages a willingness to view low-income countries as something of a special case and to consequently re-think the standards of appropriateness with which to judge the activities of the IMF. As is demonstrated below, these ideational contests, combined with the provision of supplementary material resources to the Fund, have continued to shape the more recent history of the organisation's low-income country operations. And, as with the Oil Facility and EFF, times of crisis have continued to play a catalytic role in fermenting both inter-principal disputes and operational change.

3.4. Launching structural adjustment, exceeding the mandate?

The SAF, which was established in 1986, served to secure the position of the IMF as a provider of concessional loans to its low-income members and to widen the practice of making longer-term (i.e. three-year) arrangements. In 1987, the SAF was 'Enhanced' to become the ESAF and in 1999 was converted into the PRGF. Early optimism about the SAF was quickly replaced by a re-emergence of disputes between Board members as to the fit between the new lending modalities and the IMF's expertise and mandate, with again a clear US–European division emerging. The creation of the PRGF and the expansion in 2009 of its lending resources demonstrate that the coalition of developmentally minded states is currently winning the 'battle for the soul' of the IMF.

Unusually for a major policy development at the IMF, the proposal to establish the SAF came directly from member-state governments, with no prompting from the Executive Board agenda or preliminary staff papers. At a meeting of the Interim Committee in the spring of 1985,[14] the Finance Ministers and Central Bankers present noted that over the next few years the IMF would be receiving substantial repayments of loans made under the Trust Fund, in total some SDR 3 billion. It was agreed that these resources should be made available to the organisation's lowest income members. Accordingly, the Interim Committee sent instructions to the Executive Board to consider the options available for such a new concessional lending window (Boughton 2001: 637).

The blueprints of the SAF that were laid out by the Board later that year served to consolidate significant trends within the Fund's engagements with low-income countries. Through the SAF, the Fund was given the capacity to provide loans at a 0.5 per cent rate of interest, and it was agreed that arrangements under the SAF would be over a three-year period, with semi-annual benchmarks used to determine whether an agreement would remain active (Garuda 2000: 1046). Perhaps most significantly, the SAF marked the confirmation of the departure by the IMF from the 'clean' world of macroeconomics into the realm of structural adjustment. Through their recent Trust Fund and EFF engagements with developing countries, Fund staff and management had begun to realise that the external imbalances in such countries could not be corrected with the use of fiscal and monetary levers alone. Rather, it was agreed that the specific barriers to growth that had precluded the attainment of a stable external position would need to be targeted. Such reforms included reducing the power of state-run monopoly industries and marketing boards to allow for producer prices to be determined freely, and a series of micro-level regulatory reforms intended to stimulate domestic enterprise and enhance prospects for (export-led) growth.[15]

At the time of the launch of the SAF, Executive Directors exhibited a general sense of optimism during Board discussions of its structure and operations. However, even at this time there is a recurrent theme from the US authorities that the SAF must be tightly focused on rectifying (rather than simply ameliorating) balance-of-payments disequilibria and that conditionality must be used rigorously (IMF 1987b: 21–22). In order to strengthen the effectiveness of conditionality, the wider use of 'prior actions' – conditions that had to be met before any increments of a loan were disbursed – was strongly advocated. In addition, calls were made for SAF arrangements to shift from having imprecise qualitative criteria to having more quantitative conditions, in order that targets could be more readily monitored (IMF 1987b: 44–45).

Such concerns were by no means unique to the US representatives.[16] However, when attention began to shift to the Enhancement of the SAF, a current of discontent began to become evident. Reflecting on the Fund's early experiences with the SAF, the US Executive Director stated that:

> In certain cases … there appears to have been a tendency to focus structural reforms and structural benchmarks on areas where the potential for early progress seems to be greatest, rather than on areas where the need for reforms is greatest …. In the view of my authorities, [it is important] that we face up to the need to push hard on some doors which are not very easy to open – in the interest of achieving the objectives of the policy frameworks.
>
> (IMF 1987b: 22)

When the SAF was Enhanced in 1987, the relative coolness of the US authorities can be seen by the low level of their contribution to the ESAF Subsidy Account. At a little over SDR100 million, the US contribution was dwarfed by the amounts provided by France (SDR1.2 billion), Germany (SDR830 million), the United Kingdom (SDR400 million), and others (see Figure 3.2).

There is strong evidence that, through the 1990s, the IMF's concessional lending was carried out in a manner that reflected the concerns voiced by the United States. According to a later IMF review, SAF and ESAF arrangements tended to have relatively low levels of 'hard' conditionality (prior actions and performance criteria that had to be met in order to secure the disbursal of a loan) and high levels

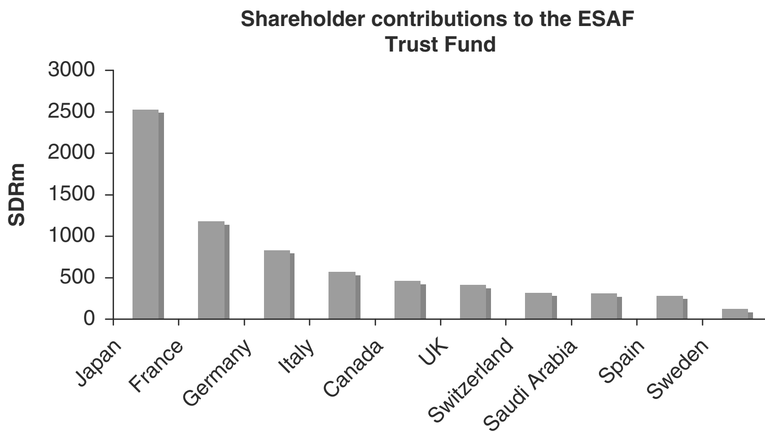

Figure 3.2 Shareholder contributions to the ESAF Trust Fund
Source: Data taken from Boughton (2001: 670).

of 'soft' conditionality (benchmarks with a less automatic link to resource distribution) (IMF IEO 2002: 44). In addition to the relatively low level of hard conditionality, low-income borrowers were also granted waivers to allow for continued loan disbursement in spite of missed targets more often than other categories of Fund borrowers (Camdessus and Naim 2000, IMF IEO 2002). Whatever the reasons for these tendencies,[17] they served to harden the attitude of the US authorities against the Fund's low-income country lending.

And the growing cacophony of 'anti-IMF' voices provided a resonant background noise to this hardening of attitudes. Through the 1990s a steady stream of reports, whether from outside of the Fund (e.g. Bird 1995, Killick 1995) or from the internal actors (e.g. IMF 1986), flagged up a concern that, rather than helping low-income countries, IMF-supported programmes were in fact serving to harm their development prospects. In addition, from the middle of the decade high-profile NGO campaigns, particularly focused around the 'drop the debt' campaigns, put increasing efforts into lobbying both Executive Directors and US domestic politicians (Busby 2007, Broome 2009). A major problem for the Fund was its inability to communicate a positive narrative around its concessional lending activities. Although a number of staff assessments did indeed find evidence of a positive correlation between IMF programmes and economic growth and the correction of balance-of-payments disequilibria (Schadler et al. 1993), such reports were never effectively 'spun' for non-expert consumption.[18] Consequently, the dominant 'story' of the Fund's low-income lending was one of frustration and failure.

Criticism of the IMF began to reach a fever pitch in the late 1990s, as campaigns in favour of debt relief were joined by widespread anger at the perceived mishandling of the 1997–98 East Asian Financial Crisis. It is at this time that the US view began to emerge into the open that the Fund's concessional lending activities had become too ineffective to justify their continuation. As the 'legitimacy crisis' of the IMF was reaching its zenith, the International Financial Institution Advisory Commission of the US Congress released its damning verdict on the IMF in 2000 (known as the Meltzer Report). In the light of what the Meltzer Report saw as more than a decade of ineffective lending to low-income countries, it called, in no uncertain terms, for the termination of the IMF's concessional lending operations.[19]

Although the Meltzer Report represented the findings of a Congressional Commission and as such illustrates the views of only one of the branches of US government, it reflected the general frustration on the part of the US representatives at the Fund that the organisation had strayed well beyond its area of expertise.[20]

Although there was a reduction in the volume of PRGF lending during the mid-2000s, with new approvals dipping below 0.5bn SDRs from 2005 to 2008 (IMF 2009a: Annex II), US opposition to the Fund's concessional lending continued to crystallise. There is widespread acceptance within the IMF, for example, that the US support for the creation in 2005 of the Policy Support Instrument (PSI) was intimately tied-in to its position on PRGF lending. The PSI is a non-lending facility, through which the IMF places its 'stamp of approval' on the policy programmes of PRGF-eligible countries but with no financial resources attached. The dominant 'insider interpretation' of the emergence of the PSI was that US support shifted in favour of its creation in 2004, when the authorities began to view the Instrument as a potentially useful mechanism for 'weaning off' low-income countries from concessional lending.[21]

In addition to the PSI issue, internal evaluations of the Fund's low-income country activities through the 2000s served to highlight a growing dissatisfaction of the United States with PRGF lending. Several IEO reports provide hints of Board-level tension,[22] hints that are more than confirmed by the Board's discussions of these reports. In July 2004, the US Executive Director used the discussion of the *IEO Evaluation Report on PRSPs and the PRGF* to voice deep concerns over the Fund's low-income country operations:

> The IEO report issues a clear 'danger' warning. [The PRGF] has blurred distinct forms of IMF support . . . into a single function – lending – which is increasingly being made to serve a development role. The Fund's unique role and therefore special contribution to enhancing growth in low-income countries is in jeopardy.
>
> (IMF 2004b: 73)

In the same meeting, the UK Executive Director issued a rather more measured response to the IEO report,[23] whilst the German Executive Director in fact offered a defence of the Fund's performance

by shifting the blame for poor outcomes to low-income country governments.[24]

By the late 2000s, the US Executive Director's office at the Fund had come to see a fundamental disjuncture between the type of long-term, structural adjustment-focused lending of the Fund's PRGF and the balance-of-payments remit of the organisation's Articles of Agreement. In the words of a very senior member of the US Executive Director's office, spoken as the Global Financial Crisis was unfolding:

> The IMF is outside its mandate with the PRGF. Nobody, certainly not the Fund, knows how to 'do' development. The PRGF has not been a success. If you listen to others, such as the French or Gordon Brown [the then UK Prime Minister], you'd get a different impression . . . [25]

In a close parallel with the findings of the Meltzer Report, an understanding had evolved according to which the external imbalances of many low-income countries were of a developmental nature, the proper responsibility of the World Bank and far outside of the expertise of the Fund. Whereas in the US office an ideational framework had formed according to which a line in the sand could be drawn between balance-of-payments problems (within the Fund's mandate) and developmental issues (outside the Fund's mandate), other important actors within the organisation held competing views. A senior member of staff within the UK Executive Director's office, for example, outlined the following understanding of the Fund's role:

> If the US had its own way, there wouldn't even be the PSI, certainly not the PRGF. They want the Fund to be involved in emergency stabilisation, away from anything growth and poverty reduction orientated. This is not possible: the two are inseparable.[26]

The use of the US position as a foil around which to present the view within the UK office is telling.

By the late 2000s, then, the US opposition to PRGF lending was very firmly established, was common knowledge inside the institution, and was increasingly well known on the outside. The more supportive (though by no means uncritical) attitude of other Executive Directors – including the Europeans – to the Fund's concessional

lending activities was also internally acknowledged. In keeping with past precedent, in 2009 the European-led 'coalition of the willing' drew upon the opportunities opened up by the Financial Crisis to further bolster the IMF's 'developmental turn' by again expanding the organisation's concessional lending base. Within the overall post-Global Financial Crisis commitment from shareholders to treble the Fund's lending capacity, agreement was reached to channel additional resources to low-income members and to allow a doubling of their access limits in concessional arrangements (IMF 2009c). And whereas this development is partly a function of continuing acquiescence from the US representative to European shareholders in the field of IMF concessional lending,[27] through this most recent set of developments a shared concern to push the Fund to demonstrate successful performance in this area of its operations has crystallised.

3.5. Making the Fund into a long-term development partner

The history of the IMF's concessional lending facilities has been marked by disagreements between Executive Directors over the fit between these novel operations and the mandate and established expertise of the organisation. The United States has consistently advocated a restricted role for the Fund, tightly focused on emergency balance of payments; the more flexible Europeans have come to view an inextricable cross-over between 'developmental' and 'balance of payments' problems, and have accordingly adopted a more permissive understanding. Through the control of supplementary resources during periods of crisis, this latter understanding has come to shape recent reforms at the organisation, although these disagreements continue to flow deep. However, despite the continuing intra-shareholder disputes over the appropriateness of the Fund's concessional lending activities, there has recently been something of an outbreak of consensus. Following a watershed Executive Board meeting in 1998, shareholders have embarked upon a unified effort to push the organisation to explicitly engage with poverty reduction. In so doing, shareholders are, to borrow Mosley's (2001) phrase, working to make the Fund a long-term development partner.

Underneath the ebb and flow of the contest to restrict or expand the Fund's lending operations with low-income members,

the 'effectiveness' question was, by the late 1990s, beginning to evolve. Around the time of the launch of SAF (1987) and ESAF (1988), the settled acceptance that concessional lending was first and foremost about balance of payments remained clearly evident amongst state representatives. Indeed, as an illustration of just how far poverty reduction was from the radar at this time, during discussions over the transition from SAF to ESAF, not only was there no mention of 'poverty', but there was in fact widespread discontent about the incorporation of newfangled 'growth targets' into Fund programmes.[28] With questions over how far the Fund should be in the business of economic growth only beginning to heat up, concerns over the distributional impact – let alone the poverty-reduction impact – of Fund-supported programmes remained off the agenda in the late 1980s.

Though emerging in different operational contexts, as with shareholders' use of the MDGs at the Bank, moves to monitor the Fund's contribution to poverty reduction have become fixed upon an intermediate proxy-indicator. A key moment in this poverty-reduction turn came in March 1998, to the input of the four-person External Evaluation Group into Board discussions of ESAF operations. As part of the Fund's second five-year review of the operations of ESAF, a report was commissioned by external experts to provide a fresh perspective on the lending facility, with the authors invited in to discuss their findings with the Board. Overall, the report received a polite but muted reception from Directors, with expressions of gratitude often being accompanied by criticisms of analytic quality and apparent contradictions or inaccuracies (IMF 1998b: 3–4, 14–15). However, one recommendation from the external reviewers attracted the widespread support of Directors. This recommendation was that in order to holistically assess the success or otherwise of Fund-supported programmes, more data needed to be collected regarding their social impact – and in particular their impact on the poorest sections of population in borrowing countries (IMF 1998a).

In laying out a blueprint for how to track the impact of Fund programmes on low-income groups in low-income countries, the recommendation of the External Evaluation Group was extremely bold. It was also at odds with the deep attachment of Fund staff to strictly 'economic' data. As the following extended quotation from Professor

Paul Collier, one of the Group's members, makes clear, there was a pragmatic forcefulness behind the recommendation:

> Our attempt to build up a classification of what [is meant by] 'real per capita social expenditures' ... is important. Quite often in ESAF programmes, real per capita GDP is projected to rise throughout the programme, and quite often this is entirely appropriate .... If real GDP is rising continuously through a programme, it seems [reasonable] to us, at least as a starting point, to have a presumption that real per capita social expenditures should also rise, properly defined. That will not always be appropriate, but it is not a bad starting presumption. At the moment, the information is not presented in a way in which we can find out whether that happens or not .... The Fund should monitor outcomes and present data for per capita expenditure on social services. That is not always possible on the [existing] data, but ... I would say it is usually possible on the data. We managed to do that for the five countries we visited without undue problems.
>
> (IMF 1998b: 92–93)

The resistance of Fund staff to this proposal is demonstrated by the official staff response to the External Evaluation Group report, with the counterclaim that such data was not at present collected and that to establish such systems was both unrealistic and outside of the organisation's expertise (IMF 1998c). The reception given by Directors, however, was quite different.

In contrast to the staffs' coolness, IMF Executive Directors were strongly supportive of the recommendation that the social impact of programmes be more precisely tracked. Directors were often sympathetic to the staffs' concern over the low availability of appropriate data but saw this as an opportunity to draw on the expertise of the World Bank in this area, rather than to render the proposal implausible (e.g. IMF 1998b: 5–6, 21, 24). The position taken on this issue by the US Executive Director (representing the state with a long track record of viewing the Fund's concessional activities as being outside of its core expertise) is particularly noteworthy. Whilst most Directors welcomed the External Evaluation Group's proposal on tracking social expenditure as a means of monitoring the impact

of Fund-supported programmes as a useful technocratic measure, the US Director saw a wider potential use:

> Typically, the Fund has taken the view that a rising tide lifts all boats – i.e. that a stabilisation and reform programme aimed at long-term growth is the most effective means of raising the incomes of all groups in a society. This argument still holds, but we accept the external evaluators' position that more detailed analysis of which groups are most likely to be adversely affected should play into ESAF design.
>
> (IMF 1998b: 39–40)

For the US representative at least, there was an implicit connection between monitoring and performance in concessional lending.

Following this entry of 'social expenditure' onto the IMF agenda, it became increasingly common for disaggregated data on the components of social expenditure (specifically, government spending on health and education) to be included in the paperwork attached to PRGF lending operations. The intention was that this category of government spending, which included expenditure on health and education, would be protected from the general public sector squeeze within lending programmes. Subsequently, the External Evaluation Group's language has entered into the Fund's lexicon, as priority spending was replaced by 'social spending' in official documentation. And this, in turn, has over recent months been joined by 'poverty reduction expenditure', which is now used synonymously with the External Evaluation Group's phrase (Burke 2010). In general, Fund staff have remained somewhere between ambivalent and hostile to the idea of poverty reduction, collating the necessary data without making systematic efforts to incorporate poverty and social impact analysis into programme design (Blackmon 2008, Gutner 2010). However, senior management and External Relations staff have started to draw on the issue when 'cheerleading' for the IMF.

It was under the leadership of Michel Camdessus that the upper echelons of the IMF started to 'talk the talk' of global poverty reduction. From the start of his tenure, Camdessus aligned himself with the interests of the developing world, and the expansion of concessional lending during the late 1980s was in no small part a consequence of his personal efforts. However, it was in the late 1990s,

around the time of the Executive Board's shift in favour of social expenditure tracking, that Camdessus began to publicly highlight the responsibility on the IMF to ensure that it made a substantial contribution to global poverty reduction (e.g. Camdessus 1999a, 1999b, Camdessus and Naim 2000). Following the relatively brief Managing Directorships of Horst Köhler and Rodrigo de Rato, this theme has again spiked under the ebullient Dominique Strauss-Kahn. Not only has Strauss-Kahn used high-profile speeches to outline the commitment of the Fund to global poverty reduction (e.g. Strauss-Kahn 2009), but it was also at the Managing Director's behest that the Fund sponsored the recent *Changes* conference, held in Tanzania with the expressed purpose of spreading news about sub-Saharan African success stories.

Alongside this stream of communications from 'on high', the Fund's External Relations Department (EXR) have been working to establish a connection between the IMF and poverty reduction in the organisation's wider social environment. Indeed, as the control of EXR is highly centralised at the IMF, it is unsurprising to find it 'singing from the same sheet' as senior management. In addition to approving the high profile activities of IMF member of staff Jack Boorman through the early 1990s (e.g. Boorman 1999), EXR has recently taken a much more proactive stance. In 2009, in order to demonstrate that the Fund had 'done good' during the Global Financial Crisis, a report was issued highlighting the achievements of low-income countries on Fund arrangements throughout 2007–08. And, rather than drawing on the Fund's traditional fare of balance of payments or aggregate growth statistics to demonstrate success, data on the countries' levels of social expenditure was drawn upon (see Figure 3.3). The process that began back in March 1998 as a means of enhancing shareholders' ability to monitor the impact of Fund programmes has recently morphed into a means of enhancing the Fund's ability to present itself as an institution in the poverty-reduction game. And while disputes remain over the appropriate scale of the Fund's concessional lending operations, shareholders have fixed upon a 'key performance indicator' in relation to these activities. From a situation in 1987, where there was dispute amongst Directors over whether it was appropriate for the Fund to have an explicit concern with economic growth, we have reached a situation where there is a broad consensus that

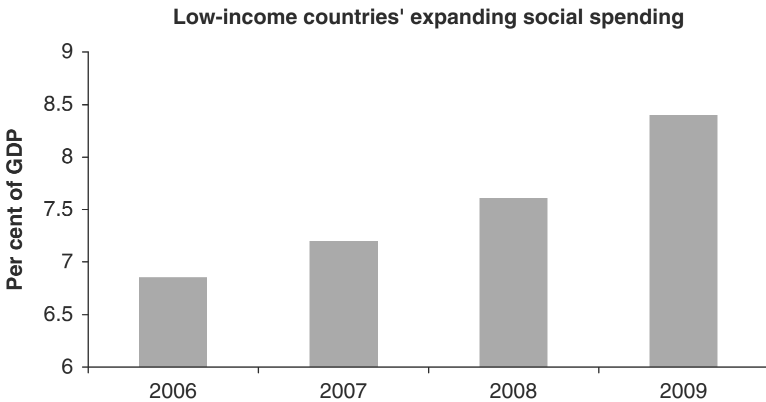

Figure 3.3 Low-income countries' expanding level of social spending
Source: Burke (2010).

the organisation should, through its protection of social expenditure levels, be concerned with poverty reduction.

Despite the ambivalent location of a concern with poverty reduction in staffs' interpretations of the institution's core mission, recent dynamics are catalysing the development of an ever-tighter focus on this concern. In 2009, following intense lobbying efforts from NGOs, the US Congress passed two pieces of 'directed vote' legislation on the Fund's use of social spending targets. Under these laws, the US Executive Director is allowed to support the passage of a low-income lending agreement *only if* provision is made to ensure that social spending, as measured by government expenditures on health and education, remains constant or rises during the programme period (US Treasury 2010). In addition, as a consequence of Board negotiations over the 2009 increase in the Fund's concessional lending capacity, staff have been directed, where appropriate, to include social spending targets as monitored conditionality in programmes. As is reviewed in Chapter 6, developments are having a significant impact on the Fund's concessional lending practices and appear to be anchoring the institution to the issue of poverty reduction for the foreseeable future.

It is rare for ideas in global economic governance to remain static for any length of time. With its 24 Executive Directors representing

some 187 member states and its 3,000 highly trained staff, this is particularly so at the IMF. Following its establishment in 1945, the Fund was initially quick to establish the intellectual basis for diagnosing the causes of and cures for balance-of-payments emergencies, which centred on the application of tight monetary policy by members with deficits. In addition, the setting of conditionality – policy targets against which the disbursal of loan payments was made contingent – became an accepted and respected component of the organisation's operational toolkit. However, in the light of a series of structural shifts in the global economy, the IMF moved into the realm of low-income country lending, disagreements began to emerge between shareholders as to the fit between this changed context and the Fund's established area of competence.

From the launch of the Fund's Oil Facility in the mid-1970s through to the ramping up of PRGF lending in the aftermath of the Global Financial Crisis, a recurrent pattern is visible to major reforms to the Fund's low-income country operations. The consistent split of opinion amongst shareholders between, on the one side, the minimalist US and, on the other side, the developmentally minded Europeans has been navigated using the deployment of supplementary finance. Although the United States, the Fund's major shareholder, exercises a formal veto over major decisions at the organisation, the Europeans' repeated willingness to deploy financial resources within an avowedly 'consensus based' institution has seen a succession of reforms that have served to pull the Fund towards an ever-greater engagement with developing countries, in a manner against the wishes of successive US representatives.

Within this overall context of division, there has over recent years been a remarkable outbreak of consensus amongst the Fund's shareholders regarding how to measure the success of concessional lending operations. Although agreement over the appropriate scale of the Fund's concessional lending operations is still lacking, from the late 1990s the IMF's Executive Directors have come to accept that the social impact of Fund-supported projects needs to be more effectively mapped. Following a push from the ESAF External Evaluation Group, 'social expenditure' is increasingly recorded by Fund staffs in programme documentation, and this data has been used by the Fund's senior management to demonstrate the institution's commitment to poverty reduction. With strong direction from shareholders, the

organisation will continue to be pushed to perform according to a developmental rather than its traditional macroeconomic yardstick over the medium term.

As is demonstrated in Chapter 6, in the aftermath of the Global Financial Crisis shareholders at both the IMF and World Bank have moved to tie the institutions evermore closely into poverty reduction, as measured by their contribution to the MDGs and social-spending protection, respectively. And while these tendencies contain inherently totalising dynamics, the following two chapters review the corresponding openings to domestic stakeholder groups that have emerged at the Bank and Fund over recent years.

4
The World Bank and the Reconstruction of Stakeholder Engagement

> My colleagues and I decided that in order to map our own course for the future, we needed to know more about our clients as individuals. We launched a study entitled 'Voices of the Poor' and spoke to them about their hopes, their aspirations, their realities.
>
> (Wolfensohn 1999)

> Some Country Directors continue to hide behind the 'apolitical' Articles of Agreement, but stakeholder engagement has support from the top.
>
> (Senior World Bank Public Sector Management Specialist 2008)[1]

In important respects, the major institutions of global economic governance were set up by state actors for the benefit of state actors. The Bretton Woods Conference – birthplace of the World Bank and IMF – was attended exclusively by allied ministers and official functionaries, and, unsurprisingly, the blueprints that were laid out contained scant provision for 'civil society outreach'-type activities. We have in the previous two chapters seen that, throughout both organisations' histories, the channels of influence that were laid down by the post-war planners have been enthusiastically and creatively used by the Bretton Woods Twins' shareholder states. Although the dynamics of shareholder control have evolved in an intriguing manner, in directions that have served to stretch and remould the founding mandates of both IOs, the overall process is in a sense entirely predictable. State actors were, after all, given seats on the Boards of the organisations

precisely so that they could attempt to exercise control over their operations. By contrast, the entrance of stakeholders into the world of the Bank and Fund is more surprising.

As we have seen previously, it is relatively straightforward to grasp the ways in which shareholder states attempt to exercise influence over the World Bank. With their control over hundreds of millions (and in some cases billions) of dollars' worth of financing, state actors have played a very overt role in shaping the developmental activities of the IO. It is less immediately clear, though, how stakeholders slot into the picture. Because they don't sit with their hands on the formal levers of power, the dynamics explored here are much more intricate. The story of the politics of stakeholder control at the World Bank is one of piecemeal, incremental change, but is one that nonetheless has progressed such that domestic populations in low-income countries now occupy an important space in the organisation's operational sphere. In project-based lending, stakeholders are now routinely incorporated into the design, implementation, and evaluation of operations. In programme lending, the Bank is going further than ever before to ensure that shareholder control of development processes can be effectively exercised through domestic political processes. Although the organisation continues to be subject to heavy criticism for its underperformance on stakeholder engagement (e.g. Grusky 2000, Fraser 2005, Lazarus 2008), the distance travelled over the last two decades has been significant. And just as the use of material power and monitoring techniques by shareholders helped accelerate norm change in relation to the 'big picture' ideas guiding overall operational practice, these mechanisms have also been working – albeit more quietly – to catalyse shifts in the way operational staff view the benefits from stakeholder engagement.

In outlining these dynamics of stakeholder control at the World Bank, this chapter proceeds according to the following structure. The opening section outlines the process of norm reconstruction, whereby the Bank's traditional 'apoliticism' has been slowly replaced by a more active engagement with domestic actors and domestic institutions. Over the course of several decades, a combination of repeated personnel shake-ups and attempts to convert their colleagues to the cause of stakeholder engagement by norm entrepreneurs has helped ferment this development. And beyond this pattern of evolutionary change in the organisation's bureaucratic

culture, money and attempts to monitor staff have worked to accelerate the pace of change. In terms of the conceptual framework overlaying this overall investigation into the politics of control in global economic governance, we see here again that rationalist and constructivist mechanisms have interacted in shaping the course of events. In the second section, I review the institutional characteristics of the Bank that led to the initial emergence of a delegated form of stakeholder control and the early developments that in fact served to more deeply embed this structure of (non-)engagement with stakeholders through to the late 1970s. The structure and culture that was established in these early decades shaped, and to an extent continue to shape, the terms of debates surrounding contests to establish more direct channels of stakeholder control. Through the third section of this chapter, I outline the mechanisms of stakeholder participation that have developed within the Bank's project lending and show that over time a range of stakeholders has been identified and incorporated into operational structures. In the fourth section, I track the evolution of stakeholder control that has taken place under the rubric of policy-based lending. Significant moves have been made to re-frame effective stakeholder input at the domestic level as being a prerequisite of economic development, and innovations in the Bank's lending instruments have provided the organisation with the material resources to compel states to reform political processes. However, these reforms to policy lending are subject to considerable contestation both inside and outside the Bank. The support of key constituencies means that the reform of stakeholder control at the domestic level will remain on the operational agenda of the Bank, although the degree to which the organisation is willing to 'push' recalcitrant low-income states will remain variable. The concluding section of this chapter draws together the lessons learnt regarding the politics of stakeholder control at the World Bank and highlights the key points that are returned to when the democratisation of global economic governance is explored in the closing chapter of this book.

4.1. Agents, ideas, and the entrance of stakeholders into the World Bank

The World Bank headquarters building is not an easy place to get into. To get past the reception-cum-security desk of the 'Ice Palace',

you either need to be a member of staff or be signed in by a member of staff. In many ways, these small-scale restrictions of physical geography represent a microcosm of wider developmental processes that the Bank sits at the heart of. If you're not a Bank person or not considered as relevant by a Bank person, then access – and the ability to have an input and exert a degree of control – is denied.

This power to draw boundaries and decide who should be identified as 'stakeholders' and who should remain as more or less invisible 'non-stakeholders' is a shared feature of modern structures of governance. In both domestic and international settings, there are rarely a shortage of groups and individuals claiming to have a legitimate claim to be listened to and to have their views taken note of. To be deigned worthy, though, the decision-making authority must confer this legitimacy (Shearer 2002, Ezzamel et al. 2007) – returning to the metaphor above, they must invite you in. The shifting sands of the World Bank's bureaucratic culture provide the background context in which gatekeepers take decisions over patterns of inclusion and exclusion in this key arena of global economic governance. And although movement has in general occurred at a gentle rate, the occasional periods of crisis, deployment of financial resources, and attempts to intensify the monitoring of staff behaviour have served to whip up the pace of change.

As constructivist scholarship has shown over recent years, the dominant ideational framework inside an IO can act as a powerful filter, shaping the way that staffs interpret their and their IO's place in the surrounding world. This framework is constituted by a series of taken-for-granted rules of thumb, which set out the mutually agreed linkages between a variety of operational means and ends. By providing a kind of informal 'operating manual' for staff, the shared points of reference of an IO's bureaucratic culture can minimise disagreement and aid the smooth functioning of the organisation's everyday activities. And as new staff are socialised into the organisation, these core tenets become increasingly 'solidified'. This inertia can become a powerful force, as behaviour can become repeated evermore by rote, and things get done in a particular way simply because that's the way they've always been done (Weaver 2008: 37–38). However, even when this conservative pull is at its strongest, the dominant ideational framework inside an IO will not remain entirely static. IO staffs are never entirely passive recipients of an IO's way of doing things, but

rather at the margins will engage in processes of 'bricolage' as they pick and choose between external and internal ideas, mixing the old and the new (Campbell 1998).

This pattern of evolutionary change is, however, highly circumscribed. With its self-contained benchmarks for assessing the appropriateness of potential reforms, an organisation's bureaucratic culture can in fact make processes of change staunchly path-dependent. At the Bank, under the influence in its early years of a bureaucratic culture that saw 'development' as a scientific endeavour to be managed by economic experts, stakeholders remained at arms length. Stakeholder influence came via chains of delegation running through governments and governments' representatives at the Bank, chains that in reality were too long and imperfect to allow for significant input. As has been the case in other instances of shifts in thinking that are significantly at odds with the dominant culture inside an IO,[2] replacing personnel was a key stage in the process of challenging this pervasive worldview. But even once this transformation had begun to occur, the filtering influence of bureaucratic culture remained. In order for shifting operational practices in stakeholder engagement to become embedded, it remained – and indeed remains – necessary for internal advocates to justify benefits in terms of traceable links to economic growth rates, and to do so in a manner that coheres with the dominant language of macroeconomic expertise.

Periods of crisis, almost by definition, entail serious disruptions to the settled patterns of activity in IOs. Externally driven criticism of existing practices commonly lead to internal reassessments, which, whether conducted as formal, public reviews or informal and relatively hidden meetings and discussions, pinpoint areas of practice in need of attention and outline plans for improving performance. Following periods of external hostility over inadequate levels of stakeholder engagement, the World Bank has repeatedly expressed a desire to foster links with domestic groups, integrate them into decision-making processes, and enhance institutional learning (Woods and Narlikar 2001, Lazarus 2008). And more broadly, crises can help to tip the balance in the bases that are called upon by IOs to support their legitimacy (Barnett and Finnemore 2004, Seabrooke 2007). As the Bank's 'expertise-based' authority has been repeatedly questioned and undercut in recent years, stakeholder engagement has become a core tenet of its 'moral' authority. And

this shift maps on to a wider change in global politics, as pressure on the Bank to ramp up its stakeholder engagement have dovetailed with altered global standards of appropriateness.

It is possible, in very general terms, to identify a historical trend in the external pressure to reform that has been placed on the main institutions of global governance since the Bretton Woods era. In the early post-war decades, there was a broad acceptance of the legitimacy of the delegated form of stakeholder control. The path of stakeholder input ran exclusively through their political representatives at the domestic level, and the secrecy that surrounded the activities of IOs meant that even these distant methods were highly imperfect (Keohane and Nye 2000: 1–2).[3] In more recent decades, however, a number of forces have coalesced that together have served to push many IOs to engage more directly with stakeholders. Aided by reduced costs of communication and organisation, transnational advocacy groups have been a significant force in global politics from as far back as the 1960s and have from the late 1970s actively campaigned for IOs to make reforms to the mechanisms of stakeholder engagement embedded in their operations (Keck and Sikkink 1998: 24–25, 135–40). In addition, the more recent emergence of a 'liberal aid agenda' in the post-Cold War world has fuelled this trend, as major states have also begun to require that key institutions of global governance improve the means through which they are accessible to stakeholders (Nelson 2000: 413). Together, these developments have helped to shift the broad understanding of the appropriate form of stakeholder control away from an acceptance of distant delegated forms and towards a more directly participatory model.

Slow-burning processes of institutional learning, personnel changes, and the broad shifts in the global *zeitgeist* have all served to push the Bank during the course of its recent history towards increasingly higher levels of stakeholder engagement in its operations. So far, the story of the politics of stakeholder control appears to be a constructivist-based narrative, with behaviour altering as a consequence of shifting 'logics of appropriateness'. And although the constructivist side of the coin takes up more of the analytic strain here when compared to the 'big power politics' of shareholder control, rationalist-type mechanisms are at work, too. In line with the rationalist model, incentive structures and information seeking has served to shift the balance surrounding 'logic of consequence'

calculations. There are three main routes through which the application of material rewards – primarily in the form of additional institutional resources and individuals' career progression – is working to discipline staff to behave in certain ways because of narrow interests rather than the deeper beliefs that such a form of behaviour is central to effectively fulfilling the IO's main aims.

The first two of these mechanisms relate very directly to money in the World Bank. We know that money, when used properly, can be an effective mechanism for encouraging reform in IOs. Indeed, control over supplementary finance is, from the rationalist perspective, a well-established tool of control (Gould 2006a) – and especially so when the ends towards which it is deployed go with the flow of more deeply rooted dynamics of ideational change. From the late 1990s, senior management and a number of interested creditor states at the Bank have worked to create pots of funding in the organisation for the expressed purpose of enhancing stakeholder engagement. Whilst the numbers involved are relatively small, measuring over the last decade in the tens-of-millions-of-dollars range rather than the billions that have been sunk into IDA replenishments, this mechanism has had significant effects in terms of providing staff with the time and money necessary to alter their operational practices. And in addition to this purposive use of money to control staff behaviour, a more general shift has altered the balance of staff calculations of interest, as, over the past decade, the World Bank has actually become less of a 'bank'. The fact that IDA creditors have pushed the organisation to distribute 50 per cent of its resources in the form of grants rather than loans has reduced the pressures of the 'disbursal imperative', as there is less of a need to ensure that funds continue to be recycled through lending circuits. The 'old' institutional pressures to get money out of the door are well documented (Wade 1997: 611, Gutner 2002: 38–40); by reducing this financial pressure on staff, space has been opened up in which to embark upon the relatively time-consuming process of stakeholder engagement.

The third mechanism for ensuring compliance by staff with pushes to enhance stakeholder engagement is related to information gathering. Whereas the information gathering examined earlier (the attempts to track the Bank and Fund's poverty-reduction impact) were driven by state representatives in the IOs and were relatively high-profile processes, the establishment of processes for monitoring

levels of interaction with domestic stakeholders has been a much quieter internal affair. Nonetheless, as this measure is becoming an increasingly widely used performance criteria, staff compliance is starting to matter. And, in an analogous process to the ways in which the MDGs and social spending are coming to give concrete meaning to poverty reduction at the Bank and Fund respectively, these performance criteria matter in a constitutive way. Because the data collected in relation to stakeholder engagement remains crude and fails to capture the 'intensity' of interactions, there remains significant room staff to treat the process as a box-ticking exercise. However, ongoing attempts to create a more nuanced monitoring system stand to address this issue, and in the process provide a more precise meaning to what remains a somewhat nebulous concept.

Overall, then, ideational structures have provided the somewhat 'sticky' background context within which dynamics of stakeholder control at the World Bank have evolved. However, with staff acting as active recipients of the dominant norms inside the institution, agential capacity continuously shapes and reshapes these broad structures. A combination of constructivist learning and rationalist money- and monitoring-based compliance mechanisms is serving to push the process of increasing stakeholder engagement along its way, albeit at a relatively moderate pace. Figure 4.1 provides a schematic overview of this process.

As the following sections show, the initial creation of a delegated 'club model' of stakeholder control left a deep impression on the Bank, not least for the 'apolitical' self-image that developed amongst the staff of the organisation. Through the opening decades of the Bank's operations, this structure became more entrenched, such that this norm of non-engagement remains an unquestioned part of the organisation's 'common sense'. It was not until a series of concerted efforts were made by senior management during the McNamara Presidency of the Bank in the 1970s that changes began to emerge, with an influx of 'sociological' staff into the organisation. Over an extended timeframe, in the light of developing ideational contests and periods of external criticism, a formalised regime of compulsory stakeholder engagement emerged in relation to the Bank's project-based lending, albeit on a limited scale and in relation to a limited range of particularly vulnerable domestic groups. In addition to this path of change, significant reform also occurred in relation to the policy lending

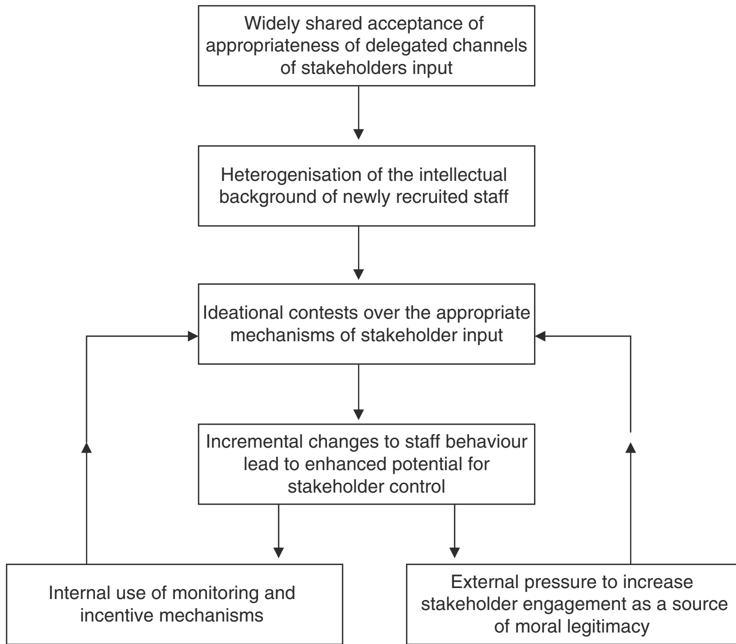

Figure 4.1 The reconstruction of stakeholder engagement

carried out by the organisation. Through the 1980s, increasing dissatisfaction over the performance of countries following structural adjustment programmes opened the ground for internal advocates of domestic governance reform in low-income borrowers. Through a process of alliance building, over recent years the idea of stakeholder input into domestic decision-making processes as a necessary component of sustainable development has been increasingly incorporated into the Bank's policy lending. Notably, in order to access multilateral debt relief, low-income countries must meet participatory 'process conditionality' when designing developmental programmes.[4] Additionally, in a lower profile manner, participatory requirements are increasingly being inserted into standard development policy loans. Although internal contests over the role of the Bank in promoting domestic governance reform remain heated, the inclusion of key actors within the coalition in support of this development

means that, over the medium term, the promotion of more effective relationships between low-income country governments and domestic populations will remain a significant feature of the Bank's policy-based lending operations.

4.2. The invisibility of stakeholders in the Bank's early years

The formal structure and mandate of an IO leaves a deep impression on the manner in which it operationalises its mission, casting a long shadow across later phases in the life of the IO. It is for this reason that it is necessary to begin the examination of stakeholder control at the Bank by going back to the early history of the organisation. When the Bank was established in the mid-1940s, potential input of domestic populations into the operational processes was not on the agenda for discussion. The Bank was mandated to work solely with representatives of client governments, and with the embedding of a technocratic, apolitical approach to issues of economic development, there were few ideational challenges to the model of delegated input that underpinned the Bank's approach. And even when pressures to engage more directly with stakeholders did emerge in later years, the pattern laid down in the early years continued to influence the direction of the changes forged by these dynamics.

On New Year's Eve, 1945, representatives of the governments of 20 states met in Washington, DC, to formally bring the World Bank into being.[5] The original signatories of the organisation's Articles of Agreement laid out the institutional governance structure and general *modus operandi* of the Bank, both of which had a major influence over the story of the evolution of stakeholder control in later years. At the centre of the governance structure that was laid out for the Bank was a chain of delegation up to an Executive Board, through which member governments maintained oversight of the organisation. By 1947 the number of member states had risen to 44, and between them they collectively selected 12 Executive Directors to sit on the Board. Directors exercised (and continue to exercise) two closely linked roles, presenting the case for the countries that they represented when particular projects were being discussed and advocating Bank-wide policy reforms in line with the interests of their

selectors. Over time the number of both member states and Directors has increased,[6] but the general arrangement of delegation has remained (Kapur et al. 1997: 1204–6). The implicit chain of delegation through which stakeholders have access to these formal governance structures has remained somewhat extended, flowing from on the ground actors, up to their domestic representatives, and in turn up to the relevant Bank Directors (Woods 2001: 84–85).

The state-centric, delegated model of stakeholder input was reinforced by other provisions of the Articles of Agreement. The first of these was the stipulation that the Bank was empowered to deal only with representatives of member governments when making loan arrangements, which served to inhibit the emergence of more directly participatory forms of engagement. Article III, Section 2 of the Bank's founding mandate sets this limitation clearly:

> Each member shall deal with the Bank only through its Treasury, central bank, stabilization fund or other similar fiscal agency, and the Bank shall deal with members only by or through the same agencies.[7]

In addition, a rigid barrier was erected to restrict the agents of the organisation from acting in a manner that would impact upon the internal political sphere of member states. Article IV.Section 10 explicitly prohibited the Bank from undertaking any 'political action':

> The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions.[8]

Though at the time these provisions were considered to be uncontroversial aspects of the Articles of Agreement, over time their existence has significantly affected the manner in which stakeholder control at the Bank has developed.

A second feature of the Bank's structure that served to secure the delegated model of stakeholder input came from its physical location. The Bank's Articles of Agreement stated that its headquarters

must be in Washington, DC, and the massive expansion of staff numbers during the early decades of its operations occurred almost exclusively at its 18th Street base (Mason and Asher 1973: 37–38, 66–72). The heavy centralisation of staff at the Bank's headquarters restricted the potential for interactions with borrowing country populations, an issue that was compounded by the tendency for staff visits to developing countries to be of limited duration and involve meetings with a small number of government representatives (Cernea 2004: 11). Although a number of personnel relocations have been carried out throughout the lifetime of the Bank,[9] it was much later, during Wolfensohn's tenure as President in the late-1990s, that a concerted attempt was made to increase the proportion of staff based permanently in borrowing countries (Nielson et al. 2006: 123).

A final aspect of the Bank that from the outset functioned as a barrier against stakeholder interaction was the control of information. For many decades, the Bank functioned as an archetypal 'club'-style IO, in which decisions were made at an elite level and remained largely invisible to on the ground stakeholders (Keohane and Nye 2000: 2). Many project documents remained legally the property of the borrowing government, to be released by the Bank only with the government's explicit consent. It was only in 1985 that a policy of 'presumption in favour of disclosure' was adopted by the Bank, and it was another decade later still that the first Country Assistance Strategy (CAS) document was made publicly available (World Bank 1994, Fox and Brown 2000: 516, Vianna 2000: 466–67).[10] Without access to key information such as this, domestic stakeholders often remained in the dark over the Bank's operations in their countries.

The restriction of stakeholder input at the Bank to distant (and imperfect) mechanisms of delegation was consolidated during the early decades of its operations by the evolving internal culture of the organisation. An avowedly technocratic approach to its operations minimised the ability of domestic populations in borrowing countries to access discussions over projects. This trend was particularly the case in the low-income countries that joined the Bank through the 1960s,[11] amongst whom weak administrative capacity meant that even governments – let alone wider domestic stakeholders – often had a negligible ability to influence project design. Rather than

developing plans in partnership, it was in fact common for staff to seek out borrowers willing to take on Bank-designed projects (Lancaster 1997: 162). Alongside such practices, the exclusionary language of expertise continued unchecked through to the 1970s. A preface written by the Bank President to a review of the organisation's operations exemplifies this approach, in which Robert McNamara spoke of his staffs' efforts 'to test and change [policies] as we learn more about the science of development' (World Bank 1972: vi).[12]

The dominance of trained economists amongst Bank staff helped to maintain the 'scientific' approach to development, and so bolster the separation between stakeholders and Bank operations. Although through the late 1960s and into the 1970s, the number of full-time staff employed by the Bank multiplied almost fourfold, the dominance of economists not only remained but actually increased (Mason and Asher 1973: 68, Cernea 2004: 5). The absolute control by staff with an economics background of the Bank's research division, in particular, helped to embed a culture in the Bank according to which development was conceived as a 'top-down' process, with little benefit to be had from cultivating closer ties with the populations that were the target of Bank-supported interventions (Hancock 1989: 124–31, Mehta 1994: 117–34, Bebbington et al. 2004: 50, Ellerman 2006: 1–7). Within this dominant view, 'development' was conceptualised as consisting of a series of project interventions aimed at generating aggregated 'economic growth'. Stakeholders, in the form of a discrete, identifiable group, remained largely invisible to Bank staff (Cernea 1985: 5).

It was during the 1970s that roots began to be put down that would eventually allow for shifts in the politics of stakeholder control at the Bank to develop. Although the governance structure and bureaucratic culture of the Bank were not ideally prepared for the cultivation of more direct forms of stakeholder engagement, changes that occurred inside the Bank and in its external environment laid the groundwork for what in the 1990s were a series of significant developments. It is possible to distinguish analytically between the developments in the mechanisms of stakeholder control that occurred around the Bank's project- and policy-based lending. The evolution in the mechanisms of stakeholder input within project lending is examined first, within which incremental improvements have occurred to strengthen the

ability of stakeholders to participate at various stages of project cycles. In the following section, policy-based lending is turned to.

4.3. The evolution of direct stakeholder engagement in project lending

Key features of the World Bank that were codified in the organisation's Articles of Agreement and that emerged in the early decades of its operation served to deeply embed a model of delegated stakeholder control. During this time, the relationship between the domestic populations of borrowing countries and the Bank was conducted largely through official national representatives. Transformations in the relationship between stakeholders and Bank staff have occurred in an incremental fashion, involving both informal and formal operational change in response to internal and external stimuli. The process through which 'stakeholders' were constructed as identifiable groups, holding a legitimate entitlement to a direct relationship with the IO, occurred through the forging of alliances between external critics and internal advocates, with periods of crisis often playing a catalytic role. The roots of these transformational dynamics go back to the 1970s, when internal champions of reform were able to lay the groundwork for later reforms in the 1980s and 1990s. The intersection of internal dynamics and external pressures, as well as the provision of material resources by state actors at key moments, played a central role in the gradual opening up of new mechanisms of stakeholder engagement at the Bank.

It was during the early years of the presidency of Robert McNamara (1968–81) that moves began to be made that, over time, would lead to a significant repositioning of domestic stakeholders within the organisation's operations. In part because of his background as US Defence Secretary, McNamara brought a Cold War mentality to the Bank, quickly developing a preoccupation with the links between poverty, rural unrest, and the spread of global communism. As President of the World Bank, one of McNamara's central objectives was to refocus the work of the organisation on poverty reduction, and to do this staff were pushed to focus projects on improving the living conditions of the poorest 20–40 per cent of the borrowing country's population. The relevance of this refocusing on poverty is that, for the first time, staff were forced to think clearly about an identifiable

group of stakeholders in interventions. No longer was abstract 'economic growth' the endgame of development; improving the living standards of an identifiable subset of a domestic population was becoming an additional, more concrete aim. Whereas the dominant conceptualisation of development in the pre-McNamara Bank held that development was about engineering and physical infrastructure, and its impact was assessed and justified in terms of aggregated indicators, under McNamara a shift occurred so that 'the poor' as a tangible group became the focus of development (Bebbington et al. 2004: 39, Cernea 2004: 6–7). In the minds of individual operational staff, and in the collective consciousness of the Bank, the idea of a distinct social collective with a special interest in the activities of the organisation began to take root.

At the same time as poverty reduction and the importance of 'the poor' to Bank operations were being foregrounded, a concerted effort was also made by McNamara's senior management to expand the academic background of staff. The creation of a more heterogeneous intellectual environment helped to build up the internal pressures to reform the mechanisms through which the Bank engaged with domestic groups. A watershed was reached in 1974 when, three decades after the Bank opened for business, the first social scientist was given a permanent position in the Bank. The appointment of Michael Cernea was followed by a steady trickle of social scientists that, through an industrious process of alliance building, set about the process of challenging the Bank's approach to development. As Cernea later noted:

> [Social science] did not land in an intellectual vacuum [at the Bank]. It landed on territory long colonised by economic and technical thinking, both with entrenched tenure. It landed onto an in-house culture unfamiliar and resistant to this new socio-cultural knowledge and expertise.
>
> (Cernea 1995: 15)

Although the Bank environment was not immediately receptive to the attempts to reshape understandings of the development process, the new breed of social scientists were rapidly able to establish a number of institutional structures that enabled them to gain a foothold from which to advance their ideas.

By the mid-1970s, an informally arranged 'Sociological Group' began to meet in the Bank. The Group was used by staff pushing for an ideational revolution, agitating for a fundamental reposition of the targets of development at the centre of the cycle of project design, implementation, and assessment. Papers were commissioned and disseminated by the Group towards this end, and eventually in 1985 members secured the publication of the Bank's first 'sociological' volume. The resulting book, *Putting People First*, was explicit in its call for paradigmatic change at the Bank, noting in its introduction that the developmental framework it was advocating was 'tantamount to asking for a reversal of the conventional approach to project making' in the Bank (Cernea 1985, Cernea 2004: 15). The Sociological Group wanted Bank staff to talk to domestic stakeholders and craft projects to address the small-scale issues hampering their ability to participate in and create effectively functioning systems of production and exchange, rather than talking exclusively to governments and all too often designing and delivering unsustainable outputs. And with the setting down in print of a manifesto for the Sociological Group, published with the Bank's official 'seal of approval', the credibility of the 'counter-culture' in the Bank was significantly enhanced.

During the years that the Sociological Group was beginning to take part in the burgeoning internal contests at the Bank over the appropriate mechanisms for engaging stakeholders, external pressures for reform also began to build. With the use of increasingly sophisticated campaigning models, grassroots movements and NGOs worked to highlight domestic groups that, owing to the impact of Bank-supported projects on their conditions of existence, had a legitimate claim to be systematically incorporating into Bank decision-making structures. Two early subsets of stakeholders that campaigns were formed around were the groups subject to 'involuntary resettlement' in order to make way for Bank-supported infrastructure projects and the indigenous peoples whose sacred or ancestral lands were threatened by agricultural and forestry developments. In the early 1980s, approximately 15 per cent of Bank lending went to projects that incorporated resettlement schemes, and powerful NGO campaigns helped to propel this issue towards the top of the Bank's agenda. The protests around the Chico River developments in Indonesia and the Polonoroeste project in Brazil were early examples of widely

publicised campaigns that drew together grassroots movements and transnational NGO networks in support of indigenous and resettled populations (Rich 1994: 26–38, Keck and Sikkink 1998: 24–25, Gray 2000: 269–70).

In conjunction, the internal changes in the Bank and the increasing external pressures led to a series of policy declarations by the Bank's senior management that served to formally recognise the existence of distinct groups of stakeholders in Bank projects.[13] In 1980 senior management issued operational guidelines to staff on 'Social Issues in Involuntary Resettlement in Bank-financed Projects'. According to the guidelines, staff were permitted to only approve plans for projects that demonstrated an effort to minimise involuntary resettlement and provided details as to how groups' needs would be met in their new environment (Brown and Fox 2000: 459, Fox 2000: 304). Two years later, operational guidelines were issued on 'The Protection of Indigenous Populations Living in Project Areas', which similarly clarified that Bank staff should only approve projects that included mitigating measures in support of vulnerable indigenous populations (Gray 2000: 273).

Following on from these early successes, agitators for reform on both the inside and the outside of the Bank continued over the next decade. A series of guidelines were issued to staff by senior management that served to increase the range of stakeholders whose interests had to be taken account of in project cycles. Something of a dialectic engagement between the Bank and NGOs developed over this time; the Bank tended to need prodding into its initial pronouncements by NGO pressure but, once issued, the Bank's statement of best practice served as a target around which increasingly well-coordinated campaigns were arranged (Rich 1994: 10, Fox 2000: 303–5). A combination of external monitoring and internal auditing has helped to ensure growing levels of staff compliance with operational guidelines (Fox 2000: 320–21) (Table 4.1).

In terms of the practicalities of stakeholder engagement, the provisions accompanying the Bank's guidelines entailed a decisive shift towards a directly participatory model. OP 4.10 and 4.12 both contain rules laying out the steps that must be taken to elicit these stakeholders' input into the design of both projects and policies to mitigate their negative impact. Regarding the former, the Operational Manual states that:

Table 4.1 Constructing stakeholders through operational guidelines

Code	Description	Date issued
OP 4.10	Indigenous peoples	1982
OP 4.12	Involuntary resettlement	1980
OP 4.15	Poverty reduction	1993
OP 4.20	Gender dimensions of development	1994

Source: Author's analysis of World Bank Operational Manual, World Bank Official Website.

> The Bank provides project financing only where free, prior, and informed consultation results in broad community support to the project by the affected Indigenous Peoples.[14]

Detailed guidance on the process that staff must follow when consulting indigenous groups is provided to the extent that the social scientists used and terms of reference issued must be deemed acceptable by Bank personnel.[15] Similarly, OP 4.12 guarantees that resettlement plans must include

> measures to ensure that the displaced persons are consulted on, offered choices among, and provided with technically and economically feasible resettlement alternatives.[16]

Furthermore, the operational policy outlines the financial and technical assistance that can be incorporated into project plans to allow for such activities to be undertaken.[17]

The more recently issued directive on the Gender Dimensions of Development serves to commit the Bank to systematically incorporating gender assessments into interactions with borrowing countries. These assessments outline the differences in the 'socioeconomic roles' of females and males, as well as imbalances in the control of productive resources, disparities in human development indicators, and the formal and informal institutions that lead to gender discrimination.[18] Where it is deemed necessary by Country Directors and Sector Managers, individual Task Teams are required to appraise and ensure that their project addresses:

> The local circumstances that may affect the different participation of females and males in the project; the ways in which the project might be disadvantageous to one gender relative to the other; and the project's proposed mechanisms for monitoring the different impacts of the project on females and males.[19]

A set of mechanisms exists within the Bank to ensure that operational staff integrate the gender dimension into their work, whereby the Board guidance to staff on the use of gender assessments is accompanied by regional and Bank-wide monitoring and reporting processes.[20] In this way, gender has become an issue that is 'seen' by the Bank, and where necessary increased efforts are made to foster the direct participation of women in project cycles.

As is the case with any complex bureaucratic organisation, the link between policy guidelines issued by senior management at the Bank and the actions of 'on the ground' operations staff can be less than perfect. Pressure to engage the formally identified stakeholders within project cycles continued to be placed on the Bank by NGOs after the guidelines had been published, and egregious examples of projects that failed to comply were on many occasions flagged up.[21] In 1993, aided by the successful lobbying by NGOs of US politicians during IDA replenishment negotiations, the Bank was pushed by a group of creditor states to address this problem through the establishment of an Inspection Panel. The Panel was mandated to hear complaints from groups that were negatively impacted on through the Bank's failure to follow its own operating procedures (Weaver 2008: 52). At the close of the 2011 financial year, 61 cases had been investigated by the Inspection Panel (World Bank 2011). Although there are competing interpretations of how effectively it is functioning,[22] the Inspection Panel now provides stakeholders with a formal, institutionalised mechanism through which to proactively engage with the Bank. This, in combination with the staff guidelines examined, has served to embed the reformed, directly participatory model of stakeholder engagement at the Bank.

In the years since the formation of the Inspection Panel, efforts have continued by both internal and external actors to further develop the opportunities for stakeholder engagement to develop around Bank projects. In contrast to the formal developments that occurred through the establishment of operational procedures and

the Inspection Panel, these efforts have focused on changing the behaviour of key Bank actors through the process of informal networking and alliance formation. From the very earliest days of the operations of the Bank, internal norm entrepreneurs have played a key role in promoting the acceptance of particular practices or behaviour (Chwieroth 2008): by joining forces with external partners, and particularly drawing on the material resources these partners are able to provide, such actors are central to the process of embedding mechanisms of direct stakeholder participation in the contemporary period. Whereas the period preceding the formation of the Inspection Panel was a time of contests to reform mechanisms of stakeholder engagement to minimise the harm done by Bank-supported projects, the contemporary period is characterised by attempts to disseminate a view of domestic populations as a resource to be drawn upon to improve the efficacy of project design, implementation, and monitoring.

The roots of this internal norm diffusion lie back in the early 1990s. The earliest institutional subunit dedicated to the promotion of civil society engagement by operational staff was the Bankwide Learning Group on Participatory Development. Formed in the early 1990s, in its first few years staff efforts culminated in the production in 1994 of the *World Bank and Participation* report and, two years later, the *Participation Sourcebook*. In these early years, supplementary financing for training and networking events – a vital component of successful norm diffusion in as large an organisation as the Bank – came from bilateral sources, particularly the Scandinavian countries. Under the leadership of Ismail Serageldin, the Vice Presidency for Environmentally and Socially Sustainable Development (which housed the Learning Group on Participatory Development) became the lead section in the Bank for promoting deeper engagements with domestic populations in project cycles (Bebbington et al. 2004: 42). Through the mid- to late-1990s, internal funds began to be released that were earmarked for the development of projects that incorporated an innovative approach to stakeholder engagement. This occurred partly as a result of the successful lobbying of the staff within the Sustainable Development Vice Presidency, but was also evidence of an underlying shift in the Bank's institutional culture. Initial resource pools included the Fund for Innovative Approaches in Human and Social Development and the Africa Region's Client Consultation

Fund.[23] With the launch of the Strategic Compact in 1997, a further tranche of resources were released for the promotion of stakeholder engagement: in its first year, an additional US$12 million was made available to fund operational work and capacity building in social development (Francis and Jacobs 1999: 347).

The resources available within the Bank to support greater engagement with stakeholders have been rated by a recent review as 'significant'. There are some 120 staff at the global level that have access to funds for organising consultations with Civil Society Organisations (CSOs), and there are around 300 communication officers across the institution available to operational staff to enhance their outreach activities (Ebrahim and Herz 2007: 5).[24] A crucial factor in determining the extent to which mechanisms of direct stakeholder engagement are integrated into operations to a level over and above the floor set by formal operational guidelines is the mindset of individual Country Directors. Where Country Directors are 'on board' and view civil society participation as a useful means of improving project effectiveness, operational staff tend to be given the time and support to integrate these activities into project cycles; however, the converse is also true (Aycrigg 1998: 18, Rosenburg and Korsmo 2001: 297). The micro-level of staff incentives also varies according to the ideational framework held by their immediate management. It remains standard practice for staff appraisals to concentrate on the 'big numbers' – the volume of loans processed and the ratings given to projects by the Independent Evaluations Group – rather than to explore the more qualitative aspects of operations (Ebrahim and Herz 2007: 5). Again, Country Directors and other high-level management have the capacity to control these aspects of Bank procedure, and some do incorporate measurements of engagement into staff performance criteria and assessments.[25]

Although the extent to which stakeholders are being identified and engaged in project cycles varies across the Bank, there is evidence suggesting that a cultural shift has taken place within the organisation over the previous decade. An internal evaluation carried out by the Bank in 2006 found that, in the years since 1990, an upward trend in both the absolute and relative number of Bank projects that incorporated civil society engagement into the project cycle was identifiable (Figure 4.2). From a base-point of just 32 per cent in 1990, by the mid-2000s the proportion of total projects with

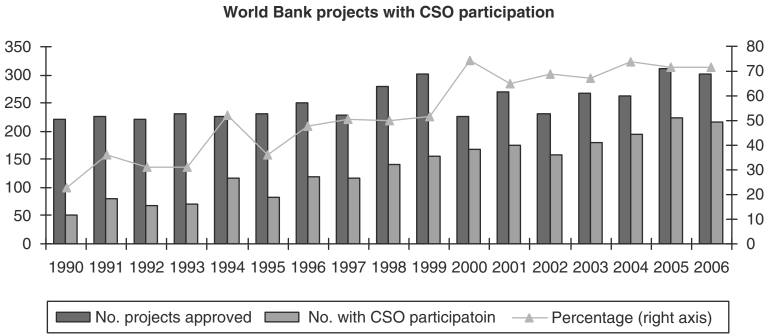

Figure 4.2 Embedding stakeholder engagement in project lending
Source: World Bank – Civil society engagement review: 2005–06.

a participatory element was consistently above 70 per cent (World Bank 2006b: 23). Although there were methodological weaknesses associated with the study,[26] and unresolved debates remain as to how 'deep' the form of civil society engagement tends to be (e.g. Bradshaw and Linneker 2003, Stewart and Wang 2006), it appears that it is becoming increasingly routine for operational staff to institute mechanisms of stakeholder participation in project cycles. At present, the Participation and Civic Engagement Group is working to construct a 'Bank-wide monitoring system' to track levels of stakeholder engagement by operations staff. This enhanced information-gathering tool, if drawn upon effectively by sympathetic Country Directors, has the potential to push for further behavioural change from staff. Indeed, for staff, the act of being monitored encourages reflection on current practices. In addition, the Participation and Civic Engagement Group's high-profile promotion of 'participatory monitoring' as a means of enhancing project effectiveness, which includes the efforts to involve stakeholders in monitoring outputs to (in the Bank's words) encourage 'counting not shouting' (World Bank 2004a), suggests that this trend is likely to continue into the foreseeable future. And with the ever-present prodding from critical NGOs acting as a spur, the direction of travel looks set to continue towards increased levels of engagement.

Through a process with roots that go back several decades, the dynamics of stakeholder control in World Bank project lending

have been significantly reconstructed. Driven by the intersection of internal and external pressures, from the 1970s the institutional features of the Bank that had acted to entrench a distant model of delegated stakeholder accountability were re-formed. Changes in the composition and location of staff, the interaction of internal advocates and external critics, the formal identification of stakeholder groups, and the institutionalisation of participatory mechanisms all combined to reshape how the Bank conceptualised and operationalised stakeholders' roles in project design, implementation, and monitoring. From an initial situation in which domestic populations' relationship with the Bank occurred exclusively through formal governmental channels, minimum mechanisms of participation now not only exist but also are backed up, in the form of the Inspection Panel, with the powers of an independent ombudsman. Moreover, in the past decade there has been a continued shift in the bureaucratic culture of the Bank. In advance of the baseline laid out by formal guidelines, operational staffs increasingly hold the direct participation of CSOs in project cycles to be of intrinsic merit. A combination of continuing internal and external pressures suggest that, over the medium term, this trend will continue to be a significant feature of the Bank's project lending activities.

4.4. Policy-based lending and stakeholder control as a domestic governance tool

Owing to the complexity of IOs and the existence of competing sites of authority within their operations, the evolution of mechanisms of stakeholder input surrounding these arenas of global governance is often a multi-track process. Although there is an inevitable overlap, different structures can emerge within the various operational strands of the same IO. In parallel to the emergence of participatory mechanisms of stakeholder engagement around World Bank project lending, changes have occurred within the organisation's policy-based lending that have served to reconstruct understandings of the appropriate role of stakeholders in this sphere of operations. Although from early on in its foray into policy lending there was an awareness within the Bank of the importance of domestic governance structures, over recent years the institution has taken a more proactive approach to the issue. In common with the developments to project lending, the

interaction of external and internal factors have contributed to these reforms. Contests over the appropriateness of the Bank's attempts to reform domestic governance processes continue, but with clear support from senior management and significant material resources available to support moves to push governments to open domestic processes to stakeholder input, these reforms to policy-based lending will continue to be promoted. Because of this support, the operational refocusing will likely, for the foreseeable future, remain. After providing some background information on policy-based lending at the Bank, I then outline the ideational shifts that helped reposition stakeholder control as a tool to promote 'good governance' and review the other internal and external developments that have enabled the operationalisation of domestic governance reform within World Bank lending.

The use by the World Bank of policy-based lending – an instrument designed specifically to induce macroeconomic policy reforms – goes back some three decades. It was in 1980, at the end of the McNamara Presidency, that a new era of Structural Adjustment Loans (SALs) was ushered in. Although the Bank's shift into policy lending attracted much comment and criticism, the proportion of resources channelled through this route has always remained relatively limited.[27] An initial fillip came with the 1982 debt crisis, when SALs became a useful vehicle for transferring resources to heavily indebted countries. Through the 1980s the proportion of new Bank lending made up by policy-based loans hovered around the 25 per cent level (Kapur and Webb 2000: 2). From 1990 to the present time, the relative level of policy-based lending has decreased marginally, on average accounting for between 20 and 25 per cent of total resource flows.[28] But although it has remained a minority interest in the Bank's overall budget, policy-based lending became of significant importance to individual borrowers. Policy lending remained concentrated amongst low-income countries, for whom the resources released by agreements formed a non-negligible proportion of state revenue. For this reason, the incorporation of governance reform into policy-based lending is an important development in the Bank's engagements with low-income countries.

Policy-based lending emerged at the Bank because of an increasing frustration amongst senior management that the chaotic macroeconomic conditions in low-income countries were inhibiting the

impact of Bank-supported projects. The overall aim of policy-based lending was to assist borrowers to create a stable environment capable of sustaining balanced growth and poverty reduction. To this end, three broad categories of policy conditionality were attached to loans. First, on the supply side, were policies designed to increase productive growth and efficiency. Through the 1980s, the proportion of conditions directed towards supply-side reform was consistently around 75 per cent of total loan conditions. Second and third in terms of frequency came policies aimed at reducing the absorption effect of rising incomes, and policies aimed at switching inputs from producing domestically consumed goods and services to the production of tradable goods, respectively (Kapur et al. 1997: 524).

By the late 1980s, there was a widespread dissatisfaction over the performance of countries engaged in policy-based lending. The failure of these programmes to produce the predicted rates of growth, and in many cases the visible social hardships caused by budgetary cutbacks and rising unemployment, led organisations including the United Nations Commission for Africa to publicly rebuke the Bank's approach. Influenced by evolving trends in developmental economics, the Bank's response transferred attention onto the political economies of borrowing countries, specifically focusing on the importance of 'getting the institutional context right' to allow policy reforms to take root (Nelson 2000: 413, Weaver 2008: 97). This shift marked the start of a reconceptualisation of the role of civil society in the process of development at the Bank and laid in place the ideational underpinnings for the move towards the use of civil society as a governance tool within policy-based lending. In order to be operationalised, changes in how the Bank 'saw' governance issues required the support of internal advocates and changes in the organisation's external environment.

The rise to prominence of 'new institutional economics' in the early 1990s, spurred by Douglas North's Nobel Prize-winning work, coincided with the push from the Bank's research department to explore the apparent failures of policy-based lending. North's contribution was to highlight the importance of market-supporting institutions in facilitating individuals' economic transactions. In so doing, North challenged the 'institution-free zone' approach of neoclassical economics (Toye 2008: 517). Institutions, whether formal or informal, were seen as vital to securing transparency and predictability

in the enforcement of property rights and commercial transactions. Within the institutional milieu, the relationship between 'the state' and 'the people' gained particular importance, as civil society was held to be a vital corrective to the counterproductive tendencies of government. In the words of North (1990: 59):

> Third-party enforcement means the development of the state as a coercive force able to monitor property rights and enforce contracts effectively.... However, if the state has coercive force, then those who run the state will use that force in their own interest at the expense of the rest of the society.

The paradigmatic shift within economic theory ushered the language of 'governance reform' into the lexicon of the World Bank (Weaver 2008: 98–99), and helped shape the research agenda of the organisation.

Through the 1990s, the World Bank research department put significant efforts into exploring the links between institutional arrangements and sustainable economic development. These efforts culminated with the publication in 1999 of the Policy Research Working Paper *Governance Matters*. In the Paper, aggregate indicators for six governance concepts were established and evidence of a 'strong causal relationship' from better governance to better development outcomes put forward (Kaufmann et al. 1999: 1). Although the direction of the causal relationship remains contested within developmental economics (e.g. Chang 2007: 12),[29] the Paper acted as an intellectual anchor for internal advocates of a governance reform agenda. The framing in economic language of the argument in support of the Bank's engagement in governance reform was vitally important to the process of internal alliance building; it allowed what could have been understood as an illegitimate 'political' intrusion into the domestic affairs of borrowers to be constructed as within the Bank's 'economic' remit. This was important both to allow governance reform to cohere with the bureaucratic culture of the Bank and also to secure the legal basis for its incorporation into policy-based lending (Kapur and Webb 2000: 2).

Alterations in the Bank's external environment also helped to open the door for the governance agenda. As fundamental norms of international politics began to resettle after the end of the Cold War, the

concept of 'state sovereignty' became far less revered in international discourse (Barkin 1998, Sorensen 1999). Linked to this shift was the rise of a 'liberal democratic aid agenda', whereby donor states began to conceive of governance reform and the promotion of human rights as intrinsically valuable goals in their own right (Nelson 2000: 413). By the mid-1990s, the Bank's major creditor states had already begun to put pressure on the organisation to include mechanisms to empower domestic stakeholders within lending instruments. However, the factor that most helped to push the governance agenda from a part of development discourse to being a part of development practice as operationalised through Bank policy-based lending was the strong support within the organisation from senior management (World Bank 2001a: 7).

Shortly after assuming the Bank Presidency, James Wolfensohn publicly affirmed his commitment to governance reform through the 'Cancer of Corruption' speech at the organisation's 1996 Annual Meeting in Hong Kong. In the speech Wolfensohn (1996) attacked past practices of the Bank, whereby the organisation had turned an institutional blind eye to borrowing governments' malpractice in the name of apoliticism. And although consciously presenting his Presidency as a point of departure, Wolfensohn was mindful of the stickiness of existing ways of acting:

> Lets not mince words: we need to tackle the cancer of corruption. In country after country, it is the people who are demanding action on this issue.... They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. And we all know it is a barrier to sound and equitable development.... The Bank Group cannot intervene in the political affairs of our member countries. But we can give advice, encouragement and support to governments that wish to fight corruption and it is these governments that will, over time, attract the larger volume of investment.

With Wolfensohn's clear backing, the necessity of opening up governance processes to allow for the input of civil society actors quickly gained traction in key Bank publications. The 1997 World Development Report articulated, for the first time, the Bank's commitment

to good governance, and further works including *Helping Countries Combat Corruption* and *Assessing Aid* added signalled a shift in the Bank's approach (Weaver 2008: 108–10). The discursive practice of linking governance reform to anti-corruption helped to undercut potential criticisms that the Bank was overriding the sovereignty of borrowing country governments.

The coalescence of these internal and external factors led, in 1999, to the dramatic operationalisation of the governance agenda. As part of the efforts to 'enhance' the process of heavily indebted poor country debt relief, the World Bank (in partnership with the IMF) announced the launch of the Poverty Reduction Strategy Paper (PRSP) initiative. Under the initiative, in order to receive multilateral debt reduction governments were required to submit a PRSP laying out a long-term developmental strategy, and vitally the document was to be produced following consultation with civil society groups and other stakeholders. The initial guidelines on PRSPs noted that:

> Poverty reduction strategies are expected to be . . . designed in a participatory fashion, taking into account the views of Parliaments and (where they exist) other democratic bodies, the donor community, civil society and specifically the poor themselves.
>
> (World Bank and IMF 2000: 1)

With the initiative, the Bank for the first time systematically incorporated process conditionality into their interactions with low-income countries (Lazarus 2008: 1216). Although the actual participatory processes surrounding PRSPs have been criticised by many observers (e.g. Craig and Porter 2002, Bradshaw and Linneker 2003, World Development Movement 2006), and the Bank's own evaluations have concluded that standards varied from country to country (World Bank and IMF 2005), the incorporation of this new form of conditionality marked a shift in Bank practices. For the first time, financial resources were systematically being used to leverage low-income country governments into reforming domestic stakeholder engagement mechanisms in order to enhance stakeholders' capacity to influence policy-making.

With the breaking of the operational watershed through the PRSP initiative, in the years since 1999 the inclusion of participatory requirements within development policy lending by the Bank has

increased markedly. In 2000, some 38 per cent of policy-based loans contained prior actions, triggers, or benchmarks relating to stakeholder participation in their policy matrix; by 2005, this had risen to 67 per cent. These new forms of 'hard' process conditionality are particularly prevalent in the policy lending agreements reached between the Bank and low-income countries, with some 83 per cent of loans made by the Africa Group of the Bank containing such provisions (World Bank 2009b: 4).

Although these aggregated figures capture the extensity of conditions relating to reforms of domestic accountability structures, they fail to capture the intensity of this development within Bank policy lending operations. Should the increasing use of process conditionality be taken as evidence of a significant shift in the Bank's operational practices, or is it more of a cosmetic, box-ticking exercise? In order to explore this issue it is necessary to closely examine contemporary developments within the Bank, focusing on the organisation's institutional structure, the micro-level incentives presented to staff, and developments in the Bank's external environment.

In terms of the Bank's institutional structure, governance-related issues now have a secure 'home' within the organisation. Established in 1997, the Poverty Reduction and Economic Management network's Public Sector Group (PRMPS) is tasked with improving the Bank's focus on 'building efficient and accountable public sector institutions'.[30] The Group continues to present its work in terms of enhancing the effectiveness, as measured by economic impact, of development assistance. Through the 'Governance and Anti-Corruption' (GAC) strategy, PRMPS has fixed upon the discursive practice initiated by Wolfensohn of linking governance reform to anti-corruption, and by so doing has been able to present its work in an attractive discursive framework (World Bank 2008b: i). Although PRMPS got off to a slow start and was initially provided with insufficient resources to effectively promote its ideas within the Bank's competitive internal environment (World Bank 2001b: 25, Weaver 2008: 118), there is evidence of a recent turnaround. Paul Wolfowitz, through his brief Presidency of the Bank (2005–07), was a staunch supporter of GAC, establishing a monthly Governance Council to provide high-level leadership for the GAC agenda. The Council is chaired by the Bank's Managing Directors and comprised of Vice-Presidential representatives from across the organisation.[31] Support

for this and other GAC structures continues to be publicly voiced by the Bank President (e.g. Zoellick 2008).

Working alongside the Financial and Private Sector Development Vice Presidency, PRMPS have developed a series of analytical instruments for use by country teams to assist their incorporation of the GAC agenda into their operations. Templates for 'Country Financial Accountability Assessments' and 'Country Procurement Assessments' are available from PRMPS to 'help the Bank and client countries deepen their knowledge of governance settings' – in essence, to see where malpractice is occurring and what reforms could be put in place to get domestic stakeholders involved in applying pressure for better performance (World Bank 2001a: 45).[32] During 2008, in an effort to ensure that such resources were utilised more effectively, an assessment was made of what could be done to focus the all-important Country Directors and Country Managers on GAC and stakeholder engagement. As a consequence, US$3.8 million in new funds and US$8.4 million in redeployed funds were released to situate GAC-specialist staff within both Network and Regional Vice Presidencies (World Bank 2008b: 45–46).[33] Under the guidance of the Governance Council, significant material resources are being targeted at encouraging operational staff to utilise domestic accountability structures as a means of optimising resource use within policy-based lending.

The year 2008 was a significant one for the GAC Agenda and the promotion of domestic stakeholder engagement. Not only was over US$12 million released to parachute GAC specialists into areas all over the Bank, but a further US$100 million was also provided to create a 'Governance Partnership Facility'. The Facility, endowed by the Danish, Dutch, and UK governments, was set very broad terms of access, in order to encourage experimentation by Bank staff. When announcing its formation, the creditors stated that:

> [The Facility] complements the World Bank's efforts in the area of good governance and provides additional resources with which country teams can ramp up their efforts to help governments to improve their internal accountability and provide better services to their citizens.[34]

In an early initiative to publicise the Facility, the Bank's regional Vice Presidents nominated 27 countries, and each country team was

awarded US$100,000 on the broad proviso that the resources be used to 'engage a broad spectrum of participants in each country' in furtherance of the GAC agenda (World Bank 2008b: iii). Assisted by these resources, supporters of the GAC agenda have continued their attempts to mainstream the focus on domestic stakeholder engagement in Bank operations.

Although significant resistance remains within the organisation, there is evidence that the ideational shift has begun to permeate previously hostile corners of the Bank. The DEC, long considered a bastion of orthodoxy (Broad 2006), is a particularly noteworthy case. Within DEC, research on governance, political economy, and public sector management now ranks fourth out of 14 thematic groupings in terms of the number of projects carried out (World Bank 2007b: 2). The formation of an informal working group on participation in the early 2000s suggests that research in this area has a deep level of support within DEC (Cernea 2004: 16). At the very least, by translating debates around stakeholder participation into an economistic language acceptable to the Bank's mainstream, the work of DEC will support a continued shift in the organisation's bureaucratic culture.

Despite these high-profile activities and attempts to mainstream domestic accountability reforms into Bank operations, it remains the case that micro-level staff incentives are not well aligned with this priority. As was the case with project-based lending, the incorporation of stakeholder participation into policy lending is a time-consuming business that, in an organisation that still largely rewards staff for disbursing large quotas of funds, is often regarded as a luxury. And although the move towards grant giving by the Bank has ameliorated the disbursal imperative, the inability to rapidly demonstrate a quantifiable impact from the promotion of stakeholder engagement on economic growth continues to limit key veto-players' receptiveness to the practice. In addition, staff continue to traverse an 'apolitical tightrope' in relation to stakeholder engagement; there is an ever-present danger that Country Directors, mindful of maintaining good relations with borrower governments, will simply remove aspects of policy-loan agreements that they consider to be too overtly political (Rosenburg and Korsmo 2001: 297, Weaver 2008: 117–20). Although these micro-level disincentives make the 'participatory turn' in project lending problematic, there is a feeling amongst some staff that the bonds of the 'disbursal imperative' may be weakening,

with attempts to look beyond governments and to creatively engage with wider domestic stakeholders becoming more actively rewarded in staff appraisals.[35] With the continued, and highly visible, support from the highest levels of management for the promotion of good governance and domestic stakeholder accountability reform, the potential for such a shift is increased.

Over the last decade, the World Bank has come a long way in relation to the promotion of good governance and domestic stakeholder engagement. Within the Bank, the ideational links between governance and development are well established, and with visible support from senior management this agenda is gaining traction in the organisation. The continued public backing from successive Bank Presidents for the organisation's push to open up governance processes to domestic stakeholders in the name of its anti-corruption strategy and the volume of resources that are currently flowing through to operations aimed at mainstreaming GAC work suggest that the commitment needed to push through significant change in the culture of the Bank will be maintained over the medium term. Change in as complex a bureaucratic organisation as the World Bank is an inevitably uneven process, whose progress is difficult to track; however, the trends outlined above suggest that advocates of the use of stakeholder participation as a tool of domestic governance now have a secure foothold in the Bank from which to continue with their proselytising efforts.

In the world of IOs, the appropriate role of stakeholders remains a heavily contested issue. Although an organisation's formal structure and operating procedures can cast a long shadow over future developments, the relationship between IO and stakeholder groups enjoys a high level of malleability. From an initial structure in which domestic stakeholders' relationship with the World Bank ran through a distant and highly imperfect chain of delegation, the contemporary situation has been substantially transformed. In the realm of project lending, a slow process of internal and external agitation led, in the early 1990s, to the formal identification of a range of stakeholder groups. These groups were provided with special claims to be included through participatory mechanisms in project cycles, and with the formation in 1993 of the Inspection Panel a legal mechanism was created through which failures to adhere to Bank guidelines could be challenged. Following these formal developments, the process

of internal alliance building has continued, and, although barriers remain, advocates have enjoyed some success in disseminating the view of civil society as a potentially valuable resource to be drawn upon in project cycles. In the realm of policy-based lending, moves have been made to reconstruct stakeholder control at the domestic level as a vital component of the developmental process. With the ideational underpinnings of new institutional economics, large efforts were made by Bank researchers through the 1990s to provide hard evidence that 'governance matters'. Supported by an increasingly sympathetic external environment and with the continued support of senior management, conditionality relating to stakeholder engagement has increasingly been incorporated into development policy lending operations. The success of the GAC agenda over recent years shows that in this area of Bank operations, too, a 'participatory turn' has begun to take root.

In spite of the existence of these trends, barriers remain that hamper the further absorption of stakeholder engagement into either the project- or policy-based arms of Bank operations. Perhaps most seriously, the remnants of the Bank's much criticised 'disbursal culture' continues to structure the micro-level incentives of staff to make stakeholder participation appear as something of a costly luxury. And despite the quantitative evidence of 'thin' compliance by staff that has in recent years been collected by the Bank, the promotion of stakeholder participation remains a minority pursuit and something of a 'bureaucratic sub-culture' in the Bank. Nonetheless, with the continuing assistance of senior management, a supportive external environment, and substantial material resources, it is a sub-culture that over the foreseeable future will continue to germinate. In the closing chapter of this book, the relationship between patterns of stakeholder and shareholder control at the Bank and Fund will be reflected on. However, before this, Chapter 5 moves on to explore the politics of stakeholder control at the IMF.

5
Apolitical Economy and the Limits to Stakeholder Engagement at the IMF

> Learning to leave my door open was the biggest difficulty in my move from the Fund to the Bank.... At the Fund, everybody's door is closed.
>
> (Senior Economist, World Bank International Policy and Partnerships Group 2008)[1]

> Fund staff should be prepared to share their analyses and key elements of their policy positions in the [Poverty Reduction Strategy Paper] consultative process.... Missions should learn from the policy dialogue.
>
> (IMF 1999a: 1)

In the world of monetary policy, information asymmetries between decision makers and market actors are widely thought to enhance the efficacy of policy choices. Because of this, discussions of monetary policy have traditionally taken place behind closed doors, and even today the most liberal of disclosure procedures allow only for the *post hoc* release of limited accounts of discussions (Gutner 2010). In line with these norms, throughout the majority of its life, the IMF – the international organisation charged with overseeing the international coordination of monetary policy – has been accustomed to 'acting behind the scenes',[2] providing advice and conducting negotiations out of the public limelight. Such an operating procedure is diametrically opposed to the calls for greater openness and engagement that are now routinely placed on IOs, and it is for this reason that the politics of stakeholder control at the Fund are of particular interest. Although over the past decade innovations in the

relationship between the Fund and low-income country populations have emerged, deeply ingrained institutional characteristics of the Fund continue to restrict the emergence of direct mechanisms of stakeholder engagement. The disjuncture between the Fund's and its critics' understandings of appropriate practices in this area means that, almost inevitably, heated disagreements will continue.

As was shown to be the case with the World Bank, the formal structure and mandate of the IMF provide the context within which contemporary developments in the politics of stakeholder control continue to unfold. Deeply embedded operating procedures and internal understandings of its role have led to substantial continuity in the mechanisms of stakeholder engagement at the IMF, and the changes that have occurred are of a limited scope. Within these boundaries, there are two main lines along which the mechanics of stakeholder control have evolved at the Fund: the first relates to the engagement of civil society as a 'disciplinary stakeholder' in support of reforms; the second to the 'ownership' of restructuring programmes by policy-making elites. Both lines have developed under the influence primarily of internal dynamics, the former incorporating a series of innovations surrounding the Fund's provision of catalytic lending and the latter a cycle of internal learning around the participation–ownership–implementation nexus. Although it continues to face demands to fundamentally restructure the mechanisms of stakeholder engagement in its operations, deep-seated characteristics of the Fund continue to restrict the extent to which the IO will 'open its doors' to domestic stakeholders. Much to the *chagrin* of critics, the maxim that 'you cannot negotiate macroeconomic policy on the street' continues to inform Fund practices in this area.[3]

In examining the sources of continuity and change in the politics of stakeholder control at the IMF, this chapter proceeds according to the following structure. The opening section examines the institutional features of the IMF that have shaped the organisation as something of a 'gated community', largely inaccessible by domestic populations in low-income countries. With no concerted attempts to use monitoring or financial inducements to alter staff behaviour, the norm of non-engagement has remained largely intact. However, the slow-burning process of institutional learning has led to minor operational changes that have, at the margins, served to enhance stakeholders' capacity to exert control over programme shape and

governments' performance. In the second section, I outline the institutional characteristics of the Fund that led to the initial emergence of a restricted form of delegated stakeholder control, and the practices that served to secure this 'club' arrangement through to the contemporary operations of the IO. In the third section, I track the evolution of the conceptualisation of civil society groups as disciplinary stakeholders, used to enforce the 'good behaviour' of low-income country governments. The genesis of this development lies with the internalisation by the Fund of a view of supplementary finance as a disciplinary force. In low-income countries, *in lieu* of private market actors, the disciplinary vacuum has been filled by domestic groups. Recent Fund initiatives have aimed to enhance their capacity to execute this function, particularly by improving the provision of information about government performance. In the fourth section, I trace the dynamics that have led to minor modifications in the participatory mechanisms open to groups in low-income countries to directly engage with IMF staff. Institutional learning and external pressure have combined to foster small operational changes, although the Fund's entanglement in the World Bank's more radical participatory discourse has led to charges of hypocrisy being voiced by critical observers. The concluding section draws together the lessons learnt regarding the politics of stakeholder control at the IMF and reflects on the dynamics that will determine future developments. Although some slight movements away from the club model will continue, the distance between the Fund's and its critics' views of appropriate mechanisms for engaging with low-income country populations means that the IO's activities will continue to be challenged.

5.1. The exclusionary power of expertise at the IMF

Over the past decade, the charge of being 'undemocratic' has been a commonplace criticism of high-profile institutions of global governance. The IMF has consistently been at the forefront of such protests, with both academic and NGO analyses regularly questioning the sources of the IO's legitimacy (e.g. Grusky 2000, Woods and Narlikar 2001, O'Brien et al. 2003, Thirkell-White 2004, Woods 2004, Zweifel 2006, Bretton Woods Project 2009). And while the quality and quantity of interaction between Fund staff and domestic

stakeholders is well beneath the level demanded by many critics, it has been suggested that when compared with institutions of global economic governance including the Bank for International Settlements, Organisation for Economic Cooperation and Development, and World Trade Organisation, the Fund's performance is in fact moderate (Scholte 2002: 20). In order to advance our understanding of the central dynamics affecting the politics of stakeholder control at the IMF, I locate contemporary practices in their historical context. By doing so, it becomes clear that although the catalytic impact of monitoring and incentives frameworks are lacking, internal shifts in bureaucratic culture and minor organisational changes have facilitated an evolutionary process of change. In particular, the uneasy interaction of shifting global norms, more conservative institutional features, and specific processes of learning have shaped – and continue to shape – the dynamics of stakeholder control in the world of the IMF.

Within constructivist scholarship, a number of works have emphasised that what happens outside of an IO can have significant repercussions on how it approaches its central mandate. Not only are external actors important sources of the specific ideas that shape processes of operational reform (e.g. Broome 2009, Wodsak and Koch 2010), the nebulous social environment surrounding an IO can establish expectations that the organisation will adhere to more general standards of appropriateness (Campbell 1998: 385). Through its dovetailing with state actors' post-Cold War 'liberal aid agenda', the normatively laden discourse from NGOs and other activists that has positioned engagement with civil society groups and other stakeholders as a core component of the democratisation of global governance has increasingly gained traction over the last two decades (Keck and Sikkink 1998, Duffield 2002). Whilst this pressure mainly focused on opening domestic political processes to wider and more effective channels of participation, the 'background noise' with which IOs are compelled to resonate has fundamentally altered. The need to demonstrate democratic credentials is being felt increasingly widely. However, the extent to which this changed ambience was picked up by particular IOs depends crucially on their individual characteristics.

In this regard, an IO's 'porosity' and its dominant institutional culture are particularly important. Porosity and bureaucratic culture are

aspects of IOs that tend to be mutually reinforcing, which together create a systematic tendency towards either openness to behavioural change through external intervention or insularity and relative hostility to external pressures. An IO's porosity refers simply to the external mobility of its personnel. IOs that have an established history of high staff turnover and the regular use of contracted-in consultants generally exhibit a greater permeability to outside ideas. By contrast, organisations with very low staff turnover rates, in which staff are recruited at an early age and follow a well-trodden career path, can resemble something of a 'closed-shop'. In such situations, the movement of staff between the IO and external critical groups is, at best, highly unlikely. Not only is the transplantation of new ideas through the incorporation of new staff lacking but also an element of self-reinforcing 'group-think' can begin to emerge to further insulate the IO from demands for reform.[4] In a circular process, staffs deploy internally accepted arguments amongst themselves to justify the continued reproduction of existing practices, thereby severely restricting the capacity for constructive dialogue with outsiders (Janis 1982: 174). IOs exhibiting such 'non-porous' characteristics provide a hostile terrain for NGO activists, particularly those advocating significant operational reform to the mechanisms through which engagements with domestic stakeholders are conducted. Unfortunately for such NGOs, the IMF's personnel practices represent something of a paragon of non-porosity (O'Brien et al. 2003: 189–96).

In a similar manner to the porosity of its staffing practices, the bureaucratic culture of an IO also can function to either encourage or resist the accommodation of externally driven change. In an extension of the practice of groupthink, staffs within an organisation adopt a collection of unreflexively held 'rules of thumb'. Importantly, the bureaucratic culture of an IO sets out the generally held standards of proof that must be met in order for demands of behavioural change to be internalised. Although – as we have seen repeatedly in previous chapters – materially powerful actors with the capacity to control resources can push through change in IOs by restructuring incentive structures and establishing monitoring frameworks, in order for IOs to 'self-police' changes more deep-seated beliefs must be challenged. In order to be accepted, alterations in the rigidly arranged hierarchy between operational means and ends require evidence that

is presented in terms that cohere with the IO's language of expertise. This language of expertise restricts the capacity of non-expert external actors to engage with the IO, to the extent that it can act as an almost impervious – albeit generally unintentional – insulating layer (Kunioka and Woller 1999: 309–10, Adler and Bernstein 2005: 304). The IMF is credited with being an archetypal example of such an expertise-based IO (Barnett and Finnemore 2004: 50); as such, dynamics on the inside take more of a front seat in shaping the patterns of stakeholder control surrounding its operations. As critics' injunctions that the Fund adhere to basic standards of democratic engagement fail to permeate the Fund's macroeconomic, balance-of-payments-centred framework of ideas,[5] internally driven shifts in the way the Fund 'sees' domestic stakeholders assume a high degree of importance.

While the expertise of its staff makes the IMF an organisation that is relatively well insulated to outsiders' calls for reforms, this feature of the Fund makes it an organisation with a strong appetite for learning. Indeed, with the launch of the Independent Evaluation Office (IEO) in 2001, the organisation now has an additional unit dedicated to fostering institutional learning (Weaver 2010). And whilst internal learning can take the form of the big, set piece IEO reviews, lower level processes are more ubiquitous. It is through the questioning of established ideas in the light of new causal knowledge and changed contexts that the 'layering' of new practices on top of old routines takes place. This is as true for the recent reforms that have seen the Fund's finance-sector surveillance go from having a purely domestic to having a domestic and systemic focus (Moschella 2011), as it is for the slowly changing understandings of the appropriate role of domestic stakeholders examined here.

As was shown through the analysis of the World Bank in the previous chapter, change in the mechanics of stakeholder control surrounding an IO is commonly a multi-track process. Different strands of an IO's operations can open up subtly different mechanisms of stakeholder engagement that, although acting under similar external and internal pressures, continue to evolve along distinct paths. Such multiple practices have developed at the IMF, where two identifiable streams in the politics of stakeholder control have produced noteworthy reforms in the relationship between the IO and domestic populations. Figure 5.1 provides an overview of this

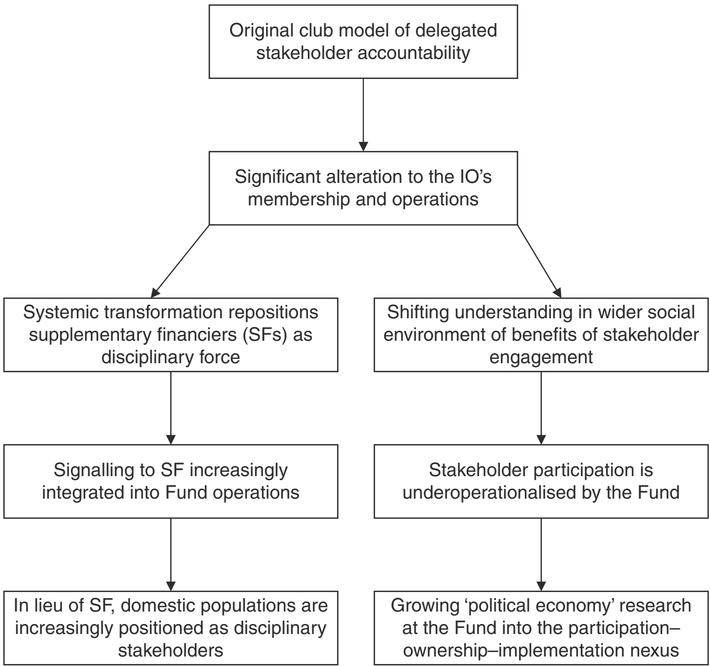

Figure 5.1 The limited evolution of stakeholder control at the IMF

process, based around the participation–ownership–implementation nexus learning cycle and the creation of 'disciplinary stakeholders'. Whereas the processes of change examined in the previous chapters were, in important respects, driven by the application of monitoring and incentive frameworks, the dynamics reviewed here follow the more 'traditional' constructivist pattern. However, notwithstanding the lack of catalysing rationalist-type mechanisms, the general interplay of ideational structures and agential behaviour that was highlighted using the morphogenic model in the opening chapter remains in evidence, as agents are both shaped by and themselves shape key norms regulating mechanisms of stakeholder engagement at the IMF.

As the following sections of this chapter show, the initial establishment at the Fund of a state-centred, delegated model of stakeholder accountability sets firm boundaries around the future relationship

between the IO and in-country stakeholders. Following from the institutional structure and restricted mandate of the IO, these boundaries have contributed to a fundamental continuity in the model of stakeholder accountability at the IMF; however, two subtle changes have occurred. With its roots back in the systemic transformation unleashed by the breakdown of the Bretton Woods System and the rising importance of supplementary financiers, the first of these relates to the construction of 'disciplinary stakeholders'. Domestic populations have over recent years been re-positioned as an institutional check on the dysfunctional tendencies of governments, with initiatives such as the General Data Dissemination Standard (GDDS) serving to improve groups' disciplinary effectiveness. In a parallel development, from the mid-1990s arguments in favour of broadening the channel of direct stakeholder participation began to emerge in the Fund, partly in response to findings of low rates of conditionality implementation and partly as a consequence of other external pressures. These burgeoning developments were accelerated by the high-profile launch (in tandem with the World Bank) of the PRSP initiative, with its discursive focus on broadening participation in the formation of restructuring programmes. Stakeholder participation has, however, remained underoperationalised by the IMF; the organisation has been implicated in the World Bank's recent 'participatory' discursive shift, which its own very minor behavioural changes have failed to match. External critics have taken this underoperationalisation as a sign of institutional hypocrisy; as more radical reform is unlikely to be forthcoming in the near future, this charge will prove to be recurring.

5.2. Normalising the practice of stakeholder disengagement

The official structure and responsibilities of an IO, as set out in its Articles of Agreement, provide the institutional blueprint around which future operations are structured. Although change can (and does) occur at both formal and informal levels, these founding Articles provide an important source of continuity to the IO's activities. Regarding the politics of stakeholder control, these codified practices serve both to establish the ground rules according to which an IO's relationship with domestic groups are conducted

and to shape the path of future changes. In the case of the IMF, the Articles of Agreement laid out a state-centric, club-style governance structure,[6] with stakeholder input running exclusively through state-level representatives. As over time the day-to-day activities of the Fund became routinised, and its bureaucratic culture began to solidify, this restricted mode of stakeholder input became firmly entrenched. Although in recent years some modifications have occurred, in key respects the practices established in its early years continue to pattern the engagements of the Fund and its in-country stakeholders.

The IMF was formally brought into being at the end of 1945, when a quorum stipulated by the preliminary Bretton Woods agreement was met. At the close of December that year, by paying in a nominal amount of their overall quota, 30 states collectively ratified the Fund's Articles of Agreement and thereby breathed life into the IO. According to the governance structure that was laid out for the Fund, member states were to retain oversight of the institution through a process of delegation to an Executive Board. Using a weighted voting system, biased according to the size of a member's quota, a plenary Board of Governors (itself populated in the main by Finance Ministers and representatives from Central Banks) elected representatives onto the Board. At the inaugural meeting of the IMF in 1946, a total of 12 Executive Directors were elected: five representatives were nominated by each of the largest quota holders and the remaining seven by smaller states operating *en bloc*. Although the numbers have altered substantially, so that as of mid-2012 some 188 member states select 24 Executive Directors,[7] the formal structure remains largely the same. In particular, the extended sequence of delegation has been retained, through which domestic stakeholders' access to the formal structures of governance runs through their domestic representatives and the relevant Executive Directors (Horsefield 1969: 116–28, Ferguson 1988: 60–61).

In a manner that was strikingly similar to that of the World Bank examined in the previous chapter, a number of the central provisions of the IMF's Articles of Agreement served to reinforce the distantly delegated model of stakeholder accountability. The clause in the Fund's mandate restricting its interactions to official representatives of member states mirrors, word for word, that of the Bank. Article V Section 1 of the IMF's charter reads that:

> Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund, or other similar fiscal agency, and the Fund shall deal only with or through the same agencies.[8]

The potential for more directly participatory forms of stakeholder engagement to emerge was further constrained by the provisions enshrining the apolitical status of the IO. Article IV Section 3 forbade staff from allowing considerations of member governments' 'domestic social or political policies' from entering assessments of monetary policy. This and a similar clause in Schedule C of the Articles were seized upon by both staff and member states to minimise official interactions beyond a narrow circle of officials (Woods 2006: 27).[9]

A second feature of the formal mandate of the IMF that served to limit the horizons of the IO's staff and further entrench the delegated mode of stakeholder engagement was the centralisation of staff at the institution's headquarters. From an initial staff of just eight, seconded from the US Treasury and located in the Washington Hotel, by the late 1960s total staff had risen to over 1,000. Despite efforts to ensure a degree of geographical diversity in staff backgrounds, all staff remained housed in the Washington headquarters (Horsefield 1969: 137, 603). With this centralisation, staff in Washington enjoyed a 'splendid isolation' from domestic stakeholder groups, and particularly so in relation to the developing countries that from the 1970s formed a sizeable proportion of Fund lending operations. Consequently, domestic groups had negligible opportunities to form a direct relationship with Fund staff, but instead had to rely on delegated channels.

The effectiveness with which stakeholders could utilise even these delegated mechanisms of control was further restricted by the levels of secrecy surrounding the operations of the Fund. The strict control of information meant that key policy documents, including both those setting out IMF assessments of members' policies and borrowing governments' promised programmes of reform, often remained classified, undisclosed to domestic audiences. Indeed, up until the late 1990s, several categories of documentation – including Article IV Reports and Use of Fund Resources Reports – could not be published even if the relevant country authorities so wished (IMF 2004c: 25–26, 2007b: 672–84). Although this degree of secrecy was not unique in the world of IOs and also has long been an accepted

feature of monetary policy discussions, it functioned at the Fund to make the decisions made at an elite level largely invisible to domestic stakeholder groups.

The exclusive reliance of in-country stakeholders on extended – and imperfectly functioning – chains of delegation was reinforced during the early decades of the IMF's existence by its evolving institutional culture and operating practices. Regarding the former, during the formative years of any complex bureaucracy elements of continuity and consistency become sedimented into the way staff view both their mission and the effective means of meeting this mission (Schein 2004: 17). In the case of the IMF, the IO developed diagnostic models for the analysis of balance-of-payments disequilibria, with accompanying rules of thumb regarding the appropriate policy responses to particular scenarios (Barnett and Finnemore 2004: 56). The development of this specialised expertise not only acted as a barrier restricting the ability of domestic stakeholders to access policy debates at the Fund but, owing to the peculiar apoliticism of macroeconomic analysis, it also served to entrench the distance between the IO and in-country groups in a potent (yet subtle) manner.

Within the academic study of the social world, the prospect of generating laws covering behavioural regularities exerts an appeal that is both alluring and enduring. Whilst the desire to attain the status that comes from the production of knowledge claims in a quantitative manner has permeated most branches of the academy, it is within economics that this tendency has most deeply taken root. Here, the quest for underlying laws has led to the dominance of an analytical approach that ascribes a high degree of automacity to social interactions: behaviour is seen as a function of utility-maximising agents responding to environmental modifications (Toye 2008). Many economists treat these assumptions lightly and acknowledge that the value of such modelling comes not from teleological insight but rather because at the aggregate level individuals behave *as if* they were rational utility-maximisers. Nonetheless, these foundations lead to a conceptualisation of contextual particularity as ephemera to be factored out of generalisable explanations of observed regularities (Hodgson 2001: 21). At the IMF, with its long history of recruiting postgraduate macroeconomists straight out of university (de Vries 1969: 10, Blackmon 2008: 193), this has encouraged the genesis of an organisational culture with a singularly

apolitical view of policy processes. Within this ideational framework, little value is attached to gaining knowledge of country particularities beyond the data necessary to make balance-of-payments diagnoses. This worldview helped to normalise the absence of interactions with groups beyond a narrow governmental elite; put simply, no tangible benefit is seen to accrue from soliciting the input of a broad range of domestic stakeholders.[10]

In a symbiotic relationship with the evolving institutional culture of the IMF, a set of operational blueprints emerged to guide everyday practices of Fund staff that further normalised their isolation from domestic stakeholder groups. From the beginning of its operations, the primary way in which Fund staff have kept abreast of developments in member countries, whether expediting surveillance or lending business, has been through the inflow of statistical and documentary materials. With improvements in long-distance transportation, staff from the area departments began to increasingly travel to member countries for additional fact-finding missions. These visits, however, were routinely of a short duration and exclusively involved meetings with government officials (de Vries 1969: 12, Klitgaard 1990: 108–12). The practicalities of travel to developing countries meant that for stakeholders in low-income countries, the potential for direct interactions with Fund staff was even lower. Not only were fact-finding missions to low-income countries infrequent but, up until the late 1980s, it remained common for key negotiations with low-income countries seeking arrangements with the Fund to occur in Washington rather than with in-country IMF Mission Teams (Baber and Jeffrey 1986: 135).[11]

Owing to a combination of the features laid down in the IMF's Articles of Agreement and the gradual sedimentation of the organisation's institutional culture and operational practices, the levels of interaction that routinely occurred between domestic stakeholding groups and staff remained severely limited in the IO's formative years. In addition to these 'supply-side' issues, a central characteristic of the Fund's work served to restrict the 'demand-side' pressures for reform. In contrast to the project-based lending activities of the World Bank, for which domestic groups with a particularly close interest were often identifiable, stakeholder groups to Fund arrangements remained distinctly 'invisible'. Identifying the 'real world' impact of IMF arrangements, with their focus on macroeconomic targets, is an

imprecise business at the best of times. When the difficulty of dividing responsibility between the Fund and country authorities for a programme that is formally an agreement between both parties is added in and the difficulty of accessing even basic information such as the content of agreements is borne in mind, it can clearly be seen that one of the key external dynamics that led to increasing pressure for reform at the World Bank was largely absent at the IMF. A consensus that readily identifiable groups of 'stakeholders' exist is a logical prerequisite that must be met before pressures to forge closer links to these groups emerge; with no obvious 'stakeholders', prospects for stakeholder engagement were somewhat diminished.

During the opening decades of its existence the IMF became something of an elite gated community, largely operating outside the reach of domestic stakeholders. This was true both in an intellectual sense, with little value attached to gaining the input of borrowing-country populations into loan agreements, and, considering the centralisation of staff and their infrequent visits to low-income country members, a literal sense. Under these circumstances, stakeholder input was a process that occurred at a distance, running exclusively through national officials. The limits imposed by these aspects of the institutional culture and structure of the IMF have proved to be remarkably durable, such that the Fund's contemporary relations with in-country groups continue to be largely conducted within these parameters. However, the gradual re-conceptualisation of domestic populations in low-income countries as disciplinary stakeholders and the moves to expand stakeholder participation in the formation of restructuring programmes represent noteworthy developments. These trends illustrate that there is a dynamism to the politics of stakeholder control at the Fund that is often ignored. Change in this area remains largely driven by the Fund and is proceeding at a slower pace than most critics wish to see; however, in light of the depth to which the club-style operating procedures were institutionalised at the IO, there is a degree of inevitability to this. The following section of this chapter examines the evolution of ideas regarding disciplinary stakeholders at the Fund, before the issue of broadening participation in programme formation is turned to in the proceeding section.

5.3. The rise of the disciplinary stakeholder

Many analyses of the IMF focus on the organisation in its capacity as an international financial intermediary (e.g. Bird 1995, Killick 1995, Stone 2004, Barro and Lee 2005). This aspect of the Fund's work is indeed important, and particularly so for the low-income countries that borrow from its concessional facility on a regular basis. However, an area of Fund operations that receives less coverage is its role as a provider of signalling information.[12] It is within this functional sphere that the roots of the Fund's use of low-income country populations as disciplinary stakeholders lie, with an ancestry going back to the Fund's relationship with supplementary financiers. Although these developments in the politics of stakeholder control have taken place very much 'below the radar', they represent a significant operational reform. In a development that is analogous to that of the World Bank examined previously, the IMF has made a move to reinforce an understanding of stakeholder control as a process most appropriate to the domestic level and has embarked upon a series of initiatives to improve its effective functioning.

The rise to prominence of supplementary financiers in the world of the IMF occurred over an extended timeframe, beginning surprisingly early on in the life of the IO. As far back as the late 1950s, commercial banks started to tie some foreign governments' loans to the existence of IMF programmes. Partly as a function of the relatively low levels of transnational capital flows, this practice initially remained rare; however, with the systemic transformation in the international monetary regime that occurred with the breakdown of the Bretton Woods System, by the 1970s this practice was becoming more widespread. In fact, as the decade progressed, some institutions not only began to link their initial lending decisions to the existence of a Fund arrangement but also made the sequential disbursal of a package of loans contingent on the continued adherence to performance criteria (IMF 2004c: 12).

Although IMF staffs were aware of the burgeoning use of this form of cross-conditionality by market actors from the early days of the practice, ideas regarding the potential instrumental use of supplementary financiers did not emerge until much later. On the contrary,

there was if anything a sense of nervousness on the part of Fund staff at the increasing power of lending arrangements with member states. An effort was made to disseminate an understanding amongst private financiers and member states alike that although the Fund welcomed the banks' 'parallel operations', it would bear no implicit responsibility for future government defaults to these lenders (Cottarelli and Giannini 2002: 14). A major realignment in the relationship between private financiers and the IMF occurred with the onset of the debt crisis in the early 1980s. With the succession of sovereign defaults that followed the Mexican standstill of 1982, it became inescapably clear for the first time that for Fund programmes to successfully correct unsustainable external disequilibria, it would be necessary to make sure that the banks were 'on board'. Initially, the Fund and supplementary financiers were arranged as something akin to 'mutual hostages'. Under concerted lending arrangements, the IMF refused to lend to stricken countries without official assurances from the exposed Banks that they, too, would lend. Once the initial crisis had passed, this practice was quickly replaced by the return to normality of the Baker Plan, which resurrected the indirect catalytic role of the IO (de Vries 1987: 231–45). However, through the episode the mutual interdependence of private sources of finance and the IMF had been soundly demonstrated. This prompted a time of innovation in the relationship, which laid the groundwork for the emergence of the conceptualisation by Fund staff of supplementary financiers as disciplinary stakeholders.

The early 1990s saw important developments in the way the IMF approached the catalytic aspect of its mission. Assisting member countries to reach a position from which they are able to access private sources of finance has long been a guiding aim of the IO, and during this time experimentation was undertaken in order to explore potential methods of reaching this goal. A succession of policy innovations was launched to improve the Fund's signalling capabilities, including the Fund Monitored Programmes, Rights Accumulation Programmes, and Staff Monitored Programmes.[13] Underlying these individual developments, a process of ideational change was at this time occurring at the Fund, whereby the importance of an emergent 'information standard' in the international financial system came to be recognised. In an environment of increased capital mobility, facilitated by both the spread of capital account convertibility and

technological advances, it became increasingly accepted that reducing information asymmetries between private financiers and state actors was a vital component of smoothing the functioning of capital markets. In line with this shifted context, the Fund began to explore ways of facilitating the smooth functioning of this information standard of global monetary governance (IMF 2004c: 15–23, James 2004: 71–94, Seabrooke 2006: 157, Broome 2008: 125–26, Moschella 2010: 81–84).

The Mexican 'Tequila Crisis' of 1994–95 and the Asian financial crisis of 1997–98 served to accelerate the acceptance within the IMF of the importance of information flows. The release of timely and accurate data by member states on key aspects of their fiscal and monetary conditions came to be held as a central method of guarding against such 'market overreactions'. A component of this ideational shift was the evolving view that, in the words of an IMF review of its signalling policies, 'market scrutiny would discipline governments and lead to early detection of problems' (IMF 2004c: 24–25). Partly under the influence of this developing conceptualisation of supplementary finance as a disciplinary force and partly following pressures to conform to more general demands for transparency in international organisations,[14] a series of operational changes were introduced in the late 1990s regarding the publication of Fund reports. Beginning in 1997, when the voluntary publication of Board reviews of Article IV Reports became possible, a form of *glasnost* filtered through Fund practices. Although many internal documents remain classified (in some cases for up to 30 years), voluntary publication of Article IV Reports by country authorities is now permitted, and there is a presumption in favour of disclosure of Letters of Intent and Use of Fund Resources Reports (IMF 2004c: 25, 2007b: 672–84).

Important though these reforms were for the enhanced opportunity they provided for non-state actors to assess the performance of member states, the reforms that were made in the field of international standard setting were of a much deeper significance. Although the Fund has long set implicit 'standards of civilisation' regarding the conduct of economic policy (Best 2006), in the late 1990s an initiative was launched that served to ratchet up the effectiveness of these practices. When it was launched in 1996, the Data Dissemination Initiative (DDI) was composed of a single blueprint for member states to follow the Special Data Dissemination Standard (SDDS). Designed

for the advanced and emerging economies, the SDDS prescribes that countries collate and disseminate key data on the real, fiscal, financial, and external sectors. A second tier to the DDI was launched the following year, targeted at low-income countries whose weak institutional capacity precluded them from full membership of the SDDS (IMF 2008b: 7–8). With the GDDS, the Fund aimed to allow for this group to 'indicate that it subscribes to and observes certain tenets of good statistical citizenship' (IMF 2008b: 10). Although initially designed as 'soft' codes of practice, the IMF rapidly introduced an oversight mechanism (in the form of Reports on the Observance of Standards or Reports on the Observation of Standards and Codes (ROSCs)) to put pressure on signatory states to fully adhere to the principles of the SDDS and GDDS.

The target audience of the data that is collected and released under the DDI are the international capital markets.[15] Whilst this audience for information signals is potentially appropriate for 'respectable' emerging and advanced economies,[16] for low-income countries the destination is problematic. Although through the early 2000s there was evidence of rapidly increasing capital flows to low-income countries, the vast majority of this activity was made up of 'capital-like flows' (primarily wage remittances) that would not respond to such signalling (Dorsey et al. 2008, IMF 2009b). Similarly, although ten of the Fund's 63 members who are officially classified as 'low-income countries' hold credit ratings from one of the 'big three' agencies, virtually none have market access (IMF 2008b: 76).[17] Indeed, the fact that almost all of the Fund's concessional lending agreements have a zero ceiling on non-concessional borrowing effectively bars the relationship between low-income countries and private financiers from developing (IMF 2009c: 5). In this context, the functions that are normally ascribed to private financiers have been transferred to the publics within low-income countries. This is made clear in the ROSCs produced for individual countries,[18] which consistently highlight the importance of releasing information to the public, and in the Fund's recent review of the DDI, which explicitly presents the SDDS as an important mechanism of improving domestic governance processes (IMF 2008b: 1). This creative adaptation of the GDDS from the SDDS framework is an archetypal example of the Fund's penchant for 'layering', the grafting of policy innovations on top of existing practices.[19]

Measured in terms of member state participation, the GDDS has proved to be a highly popular initiative. As of late 2009, 95 countries had signed up to the GDDS, with some 80 per cent of low-income countries participating.[20] An additional measure of the relatively deep degree to which users have 'bought in' to the GDDS is the seniority of staff who have been assigned the country-level coordinating role: over half of GDDS coordinators are individuals at the rank of head or deputy-head in national agencies, most typically central banks or national statistics offices (IMF 2008b: 57–58). Moreover, the IMF has effectively applied the compliance mechanism at its disposal within the GDDS to its low-income members: by June 2009, all of these countries had ROSCs published (IMF 2009e).

The specific standards that the GDDS seeks to promulgate are outlined in a series of IMF-produced manuals. The *Balance of Payments Manual* contains a methodological framework for the collection of external sector statistics (IMF 2004a), guidance on real sector statistics are contained in the *System of National Accounts* (IMF 1993), and for fiscal data the *Government Financial Statistics Manual* is used (IMF 2001). The final standard-setting material is contained in the *Monetary and Financial Statistics Manual* (IMF 2000). The rate at which GDDS countries have adopted the various guides to 'best practice' varies significantly, with 91 per cent having adopted the *Balance of Payments Manual*, 64 per cent the *System of National Accounts*, 56 per cent the guidelines of the *Monetary and Financial Statistics Manual*, and just 13 per cent those on the financial sector. Overall, the IMF GDDS review judges that 'it may be concluded that GDDS participants have made significant progress in adopting and implementing current best-practice statistical methodologies' (IMF 2008b: 65). Although resource constraints at the country level are noted as a major barrier to fuller implementation, the IMF Statistics Department is currently lobbying the Board to issue guidance to staff encouraging them to include ring-fenced funding for statistics agencies in countries' Medium Term Expenditure Frameworks.[21]

This overall drive by the Fund to enhance domestic stakeholders' ability to act as a disciplinary tool has recently been revitalised, with technical assistance packages having been put together to strengthen low-income countries' data collection and dissemination capacity. In 2007, some US$8 million was earmarked to allow the Fund to run a series of training modules, directed in particular at low capacity

sub-Saharan African members. And while this initiative is very much about improving the standard of data available for the use of governments and Fund staff themselves, improving the dissemination of data to domestic stakeholders is a key pillar of the initiative. Of the three official representatives invited to participate in the modules and workshops associated with the scheme, one must be the manager responsible for data dissemination. Through these activities, this individual receives 'best practice' guidance on the creation of Advance Release Calendars to alert a range of academic, media, and civil society groups to the procedures surrounding the release of data and on the use of web-based technology to effectively communicate updated information, not least through the IMF-managed Dissemination Standards Bulletin Board.[22] In the light of the success of the 2007 scheme, which saw a number of GDDS countries 'graduate' into the more exacting SDDS, an additional US$7.5 million was released in 2010 to allow for the scheme to continue to run for an additional three years.[23]

The development of the GDDS and the increasing efforts to push low-income countries to adhere to global standards of 'statistical citizenship' have occurred at the 'everyday' level of global governance. Although working in a loose alliance with the World Bank and UN Agencies under the Paris 21 umbrella, Fund staffs have quietly taken the lead in promoting the development of countries' capacity to generate and disseminate core macroeconomic data. These low-level operational reforms have an established lineage at the IMF, going back to the gradual emergence of the conceptualisation of supplementary financiers as potential disciplinary stakeholders to Fund-supported programmes. Although these reforms to the engagement between the IMF and in-country stakeholders have unfolded in a low-key, 'routine' manner, they are nonetheless significant. The mundane appearance of the evolution of the concept of disciplinary stakeholders and the DDI should not detract from the importance of these developments: by pushing the governments of member states to reveal to domestic populations such politically important figures as unemployment, growth rates, inflation, and government revenues, the Fund is serving to release valuable informational resources to domestic stakeholders. With the organisation's ongoing transparency drive, and the increased efforts to increase the material resources available to national statistical agencies, this trend looks certain to continue.

5.4. Slowly expanding direct stakeholder input into operational processes

With multiple and often competing sites of authority surrounding their operations, there is an inherent complexity to the world of IOs. In relation to the politics of stakeholder control, this complexity commonly translates into the existence of different mechanisms of stakeholder engagement evolving around different operational strands of an IO. At the IMF, in combination with the developments in relation to domestic disciplinary stakeholders outlined above, reforms have begun to emerge to facilitate more direct mechanisms of stakeholder engagement. In particular, two evolving areas of change are worthy of note. Although insufficient to assuage the concerns of many critical observers, reforms to the Fund's governance structure and the broadening of direct channels of interaction between Resident Representatives (Res Reps) and in-country groups demonstrate that, slowly, the Fund is beginning to open its doors to domestic stakeholders. The first of these strands, the changes to the Fund's formal governance structure, is a rare example of external actors successfully pressuring the organisation into enacting reform. Although not yet fully implemented, there is a broad acceptance among Fund staff and the Board that significant reforms to its system of representation are necessary. Regarding the second of these strands, whilst they are often dismissed as a superficial response to external criticism, the moves that have been made to enable the participation of a broader range of stakeholders in the formation of restructuring programmes are underpinned by a growing stock of 'political economy' expertise. The IMF has attracted charges of hypocrisy from both NGO and academic observers over the minimal nature of its 'participatory turn'. Although there is legitimacy to these criticisms, the source of this discontent is more a consequence of the Fund's poor performance relative to the World Bank-controlled discourse on the participatory aspects of the PRSP initiative, rather than its absolutely poor performance *per se*.[24] The Fund's structure and culture continue to restrict the depth of stakeholder engagements; change in this operational area at the IMF continues to be characterised by gradual evolution rather than revolution.

As were laid out in the IO's original Articles of Agreement, the mechanisms of stakeholder engagement in the operations of the IMF followed a firmly delegated model. The relationship between

in-country stakeholders and the Fund ran exclusively through national-level representatives, and, owing to the restricted flows of information, even these channels functioned imperfectly. Because member states' voting power in the institution was weighted according to quota size, the lowest income countries became grouped in large constituencies, with (in the case of the francophone Africa Group) as many as 24 being represented by one Executive Director.[25] Under such structures, the maintenance of even the links between government representatives and Executive Directors became highly problematic; a recent internal survey, for example, found that less than 25 per cent of low-income country governments communicated with their Executive Director at least once a week (IMF IEO 2008b: 33).[26]

The formal governance arrangements of the IMF have long been a target of criticism. As far back as 1967, the Group of 77 declared their dissatisfaction over the effective locking out of developing countries from decisions over reforms to the IMF (Ferguson 1988: 86). More recently, analysts have pointed to the growing disjuncture between a governance structure dominated by the advanced industrialised states and the contemporary reality in which low-income countries constitute the majority of the organisation's active borrowers. Demands for institutional reform have been expressed both in terms of addressing a fundamental 'democratic deficit' at the Fund and in terms of overcoming more practical operational difficulties arising from developing-country Executive Directors trying to juggle consultations with 20-plus constituents, many of them with active Fund lending programmes (e.g. Woods 2001, Woods 2004, IMF IEO 2008a, Bretton Woods Project 2009). And these governance structures matter in terms of stakeholder input. Owing to the paucity of other available channels, Executive Directors remain an important mechanism through which domestic actors' views are carried in to decision-making arenas. This is true both when lending agreements are being discussed and formally reviewed and when broader policy reforms are on the table. Indeed, it has become increasingly common over the past decade for Directors to both consult with domestic stakeholders in advance of key discussions of concessional lending practices and to refer to such sources of information in discussions.[27]

Although expertise-based IOs are commonly resistant to externally driven demands for change, reforms to the IMF governance

structure mark an interesting exception. Over recent years, the pressures to reform the arrangements through which Executive Directors are selected appear to have reached a tipping point. In addition to the 'background noise' of critical voices calling for change, staff and Directors of the Fund have pointed to a presentation to the Board by an external NGO in 2008 as a key moment at which governance reform was firmly attached to the organisation's agenda.[28] A series of relatively minor reforms were enacted in April 2008, whereby the number of 'basic votes' given to members irrespective of quota size were tripled, and a mechanism was put in place for the two Africa Group Executive Directors to appoint additional Alternates to help manage Directorates' heavy workloads (IMF IEO 2008b, IMF 2009d). Although these adjustments have been insufficient to placate critics (e.g. BIC 2009, Bretton Woods Project 2009), there is the potential that further reforms may occur in the near future. A recent review of potential ways forward with governance reform made it clear that standing still was not an option:

> The reality is that most [of the developing country] Executive Directors represent large constituencies.... This limits the voice of the relevant country and their ability to hold to account the Director representing them.
>
> (IMF 2009d: 10)

The report, which was received well in the Board discussion,[29] provides a strong indication that further, more radical, change was desired.

The reforms that have so far been enacted in the Fund's governance structure have represented a minimal 'tinkering around the edges'. As an example of a reform process that has, in important respects, been driven by external actors, these changes represent an unusual occurrence at the IMF. This peculiarity is perhaps best understood by considering the distance of the Board from the areas of macroeconomic expertise that remain under the close guard of operational staff. The Board rarely interferes in the day-to-day operations of the Fund, and indeed current Executive Directors rate their level of knowledge on core areas of Fund operations as being relatively weak (Figure 5.2).[30]

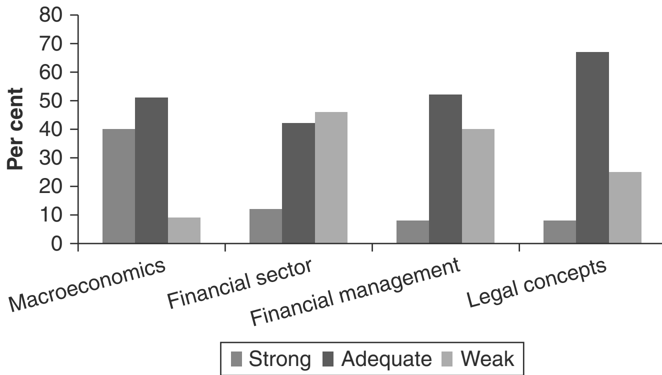

Figure 5.2 Board self-assessment of expertise
Source: IMF IEO (2008b: 15).

The reforms to the Fund's formal governance structure have represented something of an indirect opening of doors to domestic groups in low-income countries, consisting of modifications to the delegated mechanisms of stakeholder accountability. Although intrinsically interesting, these reforms have not served to challenge the dominant form of the relationship between the Fund and its in-country stakeholders. By contrast, changes to the role of IMF Res Reps have been initiated that serve to open up more direct routes for stakeholders to engage with Fund staff. These changes too are of limited scope, held back by the Fund's institutional structure and the requirement from staff that behavioural changes be preceded by 'hard' evidence proving their necessity. Written off as a cynical publication stunt by some observers (e.g. BIC 2009), the Fund's miniature participatory turn has been beset by the problem of underoperationalisation rather than outright cynicism. The minor modifications to the mechanisms for stakeholder engagement, combined with an emergent strain of interest in political economy issues, represent developments that are firmly in line with the incremental, internally driven process of norm change at the Fund. Very gradually, the organisation is learning to see – and to engage with – domestic stakeholder groups.

As was noted above, the institutional structure that was laid out for the IMF established a highly centralised organisation. Even with

the dramatic expansion of the size of the Fund that occurred over the early decades of its operation, this trait was in no way challenged. Under the influence of a bureaucratic culture that saw little value attached to cultivating direct links with domestic stakeholders within borrowing countries, the housing of virtually all staff within the IO's 19th Street headquarters effectively cut it off from interactions with low-income country stakeholders. However, from the late 1970s, with the expanding number of in-country Res Reps, this feature of the IMF began to alter. The emergence of a permanent 'diplomatic service' amongst the Fund's staff began as a routine affair. As countries developed a relatively long-term reliance on its expertise and resources, there came a pressing operational need to ensure that lines of communication between the relevant country authorities and the Fund were effectively maintained. The growth of Res Rep offices through the 1980s and 1990s was concentrated amongst low-income countries, who exhibited a particular tendency to become prolonged users of Fund resources. Although the primary objective of Res Reps was to facilitate liaison with country authorities, their establishment in borrowing countries also served to open an institutional channel to stakeholder groups.

Although Res Reps offer a potentially accessible 'port of call' for domestic stakeholder groups, there are serious limitations to the extent that they can act as an effective transmission belt for conducting stakeholder input into operational decisions. These limitations revolve around three poles: administrative capacity, authority, and selection bias. In terms of administrative capacity, it must be remembered that a Res Rep office is typically composed of one IMF member of staff, and that they literally operate out of public view, deep inside Finance Ministries and Central Banks in borrowing countries. As such, Res Reps lack the practical support to engage in significant 'outreach'-type activities. In addition, Res Reps are junior personnel; life 'in the field' is generally not aspired to by Fund staff, and Res Reping is viewed as a temporary, and early, stage in a career. With their low levels of operational autonomy, Res Reps lack the authority necessary to introduce stakeholders' views into high-level decision-making arenas, even when these views have been solicited. Finally, Res Reps have been repeatedly criticised for their tendency to consult with 'friendly' research institutes and business forums, rather than trade unions and wider identity- and issue-based civil society

organisations with more challenging views (Scholte 2002, O'Brien et al. 2003, Thirkell-White 2004).

Through the mid- to late-1990s, though, efforts were made by Fund management to improve the performance of Res Reps. Driven partly by a desire to improve the Fund's 'public relations' image and partly by a hope that information gathered by Res Reps could be used to improve the quality of the Fund's policy advice, a series of guidance notes were issued to staff to widen channels of engagement. The aim of this guidance was to ensure that Res Reps (and also visiting Mission Teams) should hold meetings with a broader range of civil society organisations than had become standard operating procedure (IMF 2008a: 2–6, IMF IEO 2008a: 4). The impact of this top-down pressure, however, was rated by the Fund's own evaluations as minimal. Slight modification to the practices of Res Reps occurred, although, by leaving the constraints outlined above firmly in place, these efforts failed to generate significant change (Malan 2006: 26, IMF 2008a: 6–9).

The stuttering attempts to rejuvenate the role of Res Reps continued in 1999, with the launch of the PRSP initiative. Although the senior management of the Fund were initially circumspect about the operational changes to the Res Rep role implied by the initiative, the organisation rapidly became implicated in the World Bank's more expansive language on the participatory process requirement. At the launch of the PRSP initiative, representatives of the Fund were considerably less radical than their Bank counterparts in the presentation of the participatory process requirements that were being placed on low-income countries. In contrast to the Bank President's attempt to immediately link the PRSP initiative with the extraordinary interaction with domestic stakeholders that had been accomplished through its Voices of the Poor study (Wolfensohn 1999), the Fund Managing Director Michel Camdessus issued a markedly more modest statement:

> These meetings have resulted in a clear mandate for the Fund to integrate the objectives of poverty reduction and growth more fully into its operations.... We will also continue to consider how better to include a social dimension in our policy dialogue with our wider membership.
>
> (Camdessus 1999c)

It is notable that no mention is made of reforming the channels through which the Fund engaged domestic stakeholder groups, focusing on its formal membership – representatives of member states – rather than on such non-state actors.

Despite the attempt to distance the Fund from its more participatory-focused Bretton Woods Twin, as the initiative was rolled out, the IMF rapidly became implicated in the more expansive rhetoric of the Bank. As joint communications began to be issued on the PRSP initiative by the two IOs, the 'Bank-like' view came to dominate. For instance, in a guidance note issued to clarify the scope of the initiative, the Bank and Fund announced that:

> [Papers] are expected to be country-owned and designed in a participatory fashion, taking into account the views of Parliaments and (where they exist) other democratic bodies, the donor community, civil society and specifically the poor themselves.
>
> (World Bank and IMF 2000: 1)

The blurring of the boundaries between the Bank and Fund was exacerbated with the operational linkages that emerged with the initiative. When communicating the requirements of the process conditionality, a single letter was sent to the country authorities from both organisations. These letters were written with the explicit intention of 'encouraging action to develop country-specific poverty reduction strategies, using an open and broad-based participatory process' (IMF and World Bank 1999: 2). Whilst the Bank was well placed to deal with these expanded goalposts for stakeholder engagement, the Fund was not.

With a large number of staff based permanently 'in the field', many of whom viewed stakeholder participation as beneficial to the achievement of their operational goals,[31] the institutional features of the Bank meant that it was able to actively promote the participatory process conditionality surrounding PRSPs. The features of the Fund, however, were not so propitious. The ambiguity of the Fund's role is highlighted by the awkward position taken by Res Reps in the participatory processes surrounding individual PRSPs. Reviewing the Fund's experiences after five years of the initiative, an internal evaluation by the Fund of the PRSP initiative paid particular attention to Res Reps' performance. The IEO report found that support for expanding

Res Reps' interactions with low-income country stakeholder groups varied significantly across different Area Departments. Looking at the terms of reference (ToR) provided to Res Reps, the IEO found that:

> With a few noteworthy exceptions, ToR provide remarkably little guidance on what was expected vis-à-vis the Poverty Reduction Strategy Paper process.... In only a minority of countries (all in francophone Africa) did the ToR describe an explicitly proactive role for resident representatives.
>
> (IMF IEO 2004: 71)

Beyond this formal guidance, a survey of Fund staff undertaken as part of the same study shed further light on their limited engagements with PRSP processes. The IEO reports that staff declared a reluctance to engage in the policy debates among stakeholders over the appropriate macroeconomic content of PRSPs on the grounds that they 'generally interpreted the emphasis on country ownership as implying that involvement on their part should be limited' (IMF IEO 2004: 4). As with earlier efforts, the mixed signals surrounding the PRSP initiative failed to overcome the ambivalence of Res Reps to broaden their engagement with domestic stakeholders.

The IMF has faced much criticism for its lack of support for the participatory aspects of the PRSP initiative. Whether from bilateral partners in low-income countries,[32] NGOs (e.g. Grusky 2000, Bretton Woods Project 2009), or academic sources (e.g. Craig and Porter 2002, Fraser 2005, Lazarus 2008), these critiques share a sense of frustration at the Fund's failure to live up to its rhetoric on the participatory turn. Whilst there is ample support for such criticism,[33] the limits of the organisation's minimal participatory turn stem from an underoperationalisation rather than deliberate cynicism. The gap between the organisation's performance and the rhetoric surrounding the PRSP initiative was, to a large extent, the product of its entanglement in the more expansive discourse of the World Bank. Indeed, the internal learning processes that are currently unfolding in the IMF around the creation of 'political economy' knowledge suggest that, somewhat belatedly, an acceptance of the operational value of stakeholder engagement is beginning to emerge amongst staff of the IO.

The need to establish solid intellectual justifications for behavioural change is a hallmark of expertise-based IOs. Within the

Fund, the knowledge base in support of broadening participation has strengthened from around the time of the PRSP launch, specifically as the links between participation in programme formation, 'ownership' of a programme, and its successful implementation are explored. Following the production of a number of assessments by the Fund outlining the low implementation rates of ESAF restructuring programmes (Killick 2002: 5), a large amount of research was undertaken into the issue. The proliferation of staff papers on the issue since 2001 is illustrative of this movement (e.g. Boughton and Moumouas 2002, Cordella and Dell'Ariccia 2002, Boughton 2003, Khan and Sharma 2003, Ivanovna 2006). Although staff papers do not represent official Fund policy, they do provide a vital window into the internal dynamics through which institutional learning occurs in the IO. The reported positive relationship between the inclusion of line agencies beyond the Fund's core constituencies in the design of programmes and their successful implementation is yet to gain wide acceptance among staff, but this emergent knowledge forms a significant departure from the apolitical assumptions of the Fund's established macroeconomic framework. The benefits to be gained from enhanced stakeholder engagement, in terms of enhanced ownership and improved implementation of restructuring programmes, are beginning to be communicated inside the IMF. An understanding is germinating that by getting a broad range of government ministries and non-state individuals and organisations whose material interests stand to be disrupted by adjustment programmes on board, the ultimate success of lending arrangements can be enhanced.

In recent years, an informal alliance of members of staff in the IMF with an interest in such issues (which internally are referred to as matters of 'political economy') has developed. Through a Political Economy Group, individuals disseminate research highlighting the need to consider the interests of key veto players when designing adjustment programmes.[34] The unifying feature of this work is the idea that it is necessary to examine the inter-relationship between the individual and aggregate units of analysis: conflicting interests on an individual level impact on the translation of 'optimal' aggregate level policy solutions into practice. Since 2003, nine IMF Working Papers have been published with an explicit focus on political economy concerns, and a further 44 have been classified under a political

economy subject area.[35] Political economy remains very much a minority research interest within the IMF, but the efforts to translate the issue into the Fund's language of expertise have the potential to coalesce with current shifts in operational practice to expand the mechanisms of stakeholder engagement at the Fund.

So far, the reforms to the mechanisms through which the IMF engages with low-income country stakeholders have been minimal. Although some pressure has been applied to Res Reps and Mission Teams to broaden the range of domestic actors they consult with, the amount of pressure has varied across Area Departments, and there is little evidence of 'real' change having occurred. However, there is a small but growing intellectual current at the Fund exploring the benefits to be had from wider in-country consultation. As is often the case in expertise-based IOs, the process of change in this area of IMF operations has been very gradual, and largely internally controlled. Although the depth of these developments should not be overstated, there is evidence of a continuing drift towards widening stakeholder interaction, with a recent IEO report suggesting (albeit in somewhat vague terms) that Fund Missions and permanent in-country staff are making a steady effort to expand the range of actors in borrowing countries that they hold official meetings with (IMF IEO 2010). Although it is emerging in a defiantly incremental fashion, the beginnings of a movement away from the apolitical economy of the Fund's established worldview are visible. However, without corresponding shifts in operational practices that serve to enable domestic groups to have a substantive input on lending programmes, the impact of this burgeoning ideational shift on the politics of stakeholder control will remain very limited.

At the IMF, the delegated model of stakeholder input that was implicit in its founding structure has remained the dominant mechanism through which the organisaton's relationship with stakeholder groups is conducted. The standard operating practices and bureaucratic culture that supported this model of stakeholder engagement in the early decades of the Fund's existence have proved to be remarkably durable. Of particular importance were the extreme centralisation of staff and the limited time spent on visits by Mission Teams, which meant that interactions were restricted to high-level government representatives, generally within central banks and ministries of finance. In addition, the absolute dominance of professionally

trained macroeconomists on the Fund's staff led to the sedimentation of a very particular analytic framework; social change was imbued with a high degree of automacity, whereby rational actors responding to altered structures were assumed to produce aggregate optimal solutions. According to the apolitical economy worldview, little value was attached to soliciting the input of stakeholder groups into policy processes. Indeed, the language of expertise surrounding the Fund's operations served to insulate the IO from such groups.

The changes that have occurred in the mechanisms through which the Fund interacts with domestic stakeholders have in general been driven by the internal dynamics of the organisation. The one reform that has been in important respects driven by external actors, the re-weighting of voting and selection of Executive Directors, has occurred in an area of activities not directly related to its expertise. The emergence of the practice of drawing on 'disciplinary stakeholders' to maintain pressure on low-income country governments to adhere to agreements made with the Fund and the slight shift in the breadth of in-country groups that Res Reps and Mission Teams interact with have both been accompanied by shifts in the knowledge frameworks underpinning the justification for such action. Although the latter of these changes – the Fund's miniature participatory turn – has been roundly dismissed by critics as a cynical piece of public relations, it is more fairly characterised as an instance of underoperationalisation relative to the World Bank-controlled discourse on the PRSP process requirements.

In spite of these reforms, over the foreseeable future the politics of stakeholder control at the IMF will remain a divisive subject. In view of the Fund's penchant for incremental, evidence-based reform, the distance between the state-centric *modus operandi* of the organisation and the demands from critics for the emergence of more direct mechanisms of interaction with low-income country populations will close at a barely visible rate. However, in the cacophony of voices criticising the Fund, it is important that the improvements to information flows to developing country populations that are being facilitated through the GDDS and the gradual opening of doors to stakeholder participation in the formation of restructuring programmes are not entirely overlooked. Through the following chapter, the intersection of the politics of control and the democratisation of global economic governance is examined. Although evidence of the totalising tendencies

of the World Bank and IMF can clearly be discerned, the insights gained from this and previous chapters into the processes through which stakeholder engagement is fostered serve to demonstrate that while radical change is highly unlikely, the emergence of alternative practices remain within the 'arc of possibilities'.

6 Conclusion

Throughout most of the time of their existence, the World Bank and IMF have sat comfortably as two of the most visible and powerful institutions of global governance in world politics. While the number of formally constituted regional and international organisations has steadily advanced through the post-1945 period, the expanding resource bases and staff sizes of the Bank and Fund have combined to ensure their consistent presence as *primus inter pares* of global economic governance. And this looming presence is further accentuated in the Bank and Fund's concessional lending activities, through which the organisations engage with member states whose acute requirement for external finance leaves them heavily dependent on the IOs' support. Commensurate with the significance of these activities, a large body of literature has emerged covering the Bank and Fund's low-income country operations. And while much attention has been focused on exploring the impact of concessional lending operations, either in aggregate terms or in relation to given country case studies, fewer attempts have been made to investigate the institutional dynamics that serve to shape and reshape these activities over time. Taking the shareholder–stakeholder dichotomy as their point of entry, the previous chapters have served to explore the dynamics of control surrounding the concessional lending activities of the World Bank and IMF.

Through this concluding chapter, the analytic focus of the work is expanded along two dimensions. Along the first dimension, the reflections introduced in Chapter 1 relating to normative theorising

on global governance are returned to. After re-examining the tensions identified by the cosmopolitanist literature, the shape of the 'asymmetric accommodation' between dynamics of shareholder and stakeholder control at the Bank and Fund is reflected on. Along the second dimension, reflections are provided on the impact of post-Global Financial Crisis operational shifts on the balance within this accommodation. While reforms are ongoing at the time of writing, contemporary developments in both institutions are serving to increase shareholder control; at the Bank the scope for stakeholder engagement is at the margins being reduced, while at the Fund it remains broadly unchanged at its relatively low level.

In developing this analysis, this chapter unfolds according to the following structure. In the first and second sections, I present an overview of the core insights put forward in the main body of this book, reprising the contributions advanced in relation to the analysis of shareholder and stakeholder control, respectively. I then in the third section pick up the normative line of analysis, initially introduced in Chapter 1. Based on the dynamics identified in earlier chapters, I outline the 'totalising' and 'democratising' tendencies that reside within the shareholder and stakeholder dynamics of control examined and outline the contours of the asymmetric accommodation between these forces. The fourth section of this chapter explores the impact of ongoing post-Global Financial Crisis operational shifts at the World Bank on this overall momentum. Having rapidly increased the speed of resource disbursal to low-income countries, relatively time-intensive stakeholder engagement has slipped down the organisation's agenda in the period from 2007 to 2008. In addition, while committing a record volume of new funds, shareholder states have also moved to again ratchet up their control over Bank outputs. Following on from this, the fifth section explores parallel post-Crisis developments at the IMF. Here, the evidence of increasingly effective shareholder control comes from the increasingly tight focus on social spending in the Fund's concessional lending operations. As with developments at the Bank, this shift suggests that at the margins the balance between shareholder and stakeholder control is being tilted towards the former. Finally, this chapter – and thus this book – ends with a brief recapitulation of the central argument that has been advanced.

6.1. Shareholder control: Review of key findings

The core message that comes through the analysis put forward in Chapters 2 and 3 is that material power constitutes a significant mechanism of shareholder control at the World Bank and IMF and that over time major creditor states have been working to hook both institutions' operational output up more directly to poverty reduction (variously conceived). Although the precise funding structures of the PRGF and IDA differ, in both institutions a group of key creditor states have by virtue of their command over financial resources come to occupy strategically important positions. In both institutions, member states' formal voting powers are determined by the quota of their financial contribution. Moreover, through the provision of additional resources to these IOs, the bargaining power of these shareholder states is substantially raised vis-à-vis the power of smaller states.

At the World Bank, the importance of IDA replenishment negotiations has increased dramatically over recent years. In addition to the long-term upward trend in the volume of IDA lending, the turn towards grant-based disbursals has magnified creditors' bargaining power. Approximately one-third of all IDA allocations in 2008–09 were provided as grants, up from around one-fifth in 2006 (World Bank 2006a: i), and there are calls from creditors for the proportion to be raised further to 50 per cent in the near future (Sanford 2009). Because of IDA's non-self sustaining nature, creditors' ability to leverage operational change out of the Bank continues to increase over time.

In contrast to the direct connection between creditor states and IDA resources, at the IMF the link is somewhat diffuse. Although the resource transfers that are needed to sustain the flow of PRGF resources come partly from direct creditor contributions, these tend to be arranged in an *ad hoc* manner (IMF 2009c: 6). The lack of an IDA-style institutionalised process of negotiations lessens the opportunity for pressure to be applied by creditor states. In addition, a substantial amount of the supplementary resources needed for PRGF operations has come through the sale of portions of the IMF's vast gold stocks. As these stocks consist in the main of membership quota subscriptions over which the Fund holds legal ownership,

spending commitments by individual shareholder-governments are not involved. However, notwithstanding this lack of a direct pecuniary interest, the gold sales linked to PRGF operations have been accompanied by large quota-holding states' attempts to leverage operational changes out of the Fund. Although less institutionally entrenched, shareholders at the Fund have acted in a similar manner to shareholders at the Bank in attempting to induce behavioural change on the part of the IO through the use of hard financial incentives.

We know, then, that materially powerful states are willing to use their privileged position to push for IO reform. Towards what overall end, though, are these mechanisms of influence employed? The process through which state actors' understandings of what constitutes appropriate and desirable behaviour in a particular area of global politics is undoubtedly complex, involving many interlinked relationships. However, in the cases examined in this book, a definite hierarchy of influence is discernable. In their respective operational spheres, the World Bank and IMF play a key role in fixing understandings of both policy problems and the range of 'thinkable' solutions. With their widely recognised concentration of institutional expertise and their dedicated research centres, the Bank and Fund exert considerable agenda-setting power in the fields of international development and monetary policy. This construction and re-construction of the dominant understanding of their broad terms of reference by the IOs is not, however, a straightforward or uncontested process.

In the case of the World Bank, we saw that from the early days of its operations a central focus was on ensuring that lending was directed towards 'economically viable' projects. With the Central Projects Staff vigilantly enforcing institution-wide adherence to the principle that lending must support demonstrably revenue-generating activities, a rigid framework was established around which the Bank's developmental mandate was operationalised. Over time, aided by both advances in methods of economic analysis at the Bank and the geopolitical worldview of Robert McNamara (the organisation's long-serving and hugely influential President from 1968 to 1981), a concern with 'social lending' directed towards the low-income groups became incorporated into Bank practice. In more recent years, the Bank's poverty-reduction turn has coalesced with the demands of

creditor states that the organisation demonstrate better value for money in its interactions with low-income countries. Whilst creditors have 'bought in' to the appropriateness of the World Bank's poverty reduction focus, their response to a period of crisis from the early 1990s has been to use IDA replenishment negotiations to increasingly push the Bank to better perform according to a monitorable poverty reduction metric. In an example of a positive feedback cycle of IO monitoring, the Bank also has responded to this hostile environment by moving to increasingly draw upon 'poverty reduction' as a legitimation device for its activities.

This positive feedback cycle continues to evolve at the World Bank. Creditor states' push with the results agenda, which was consolidated through the launch of the Africa Results Monitoring System, has sought to increase their ability to monitor Bank output, particularly as measured by a range of proxy-indicators for the MDGs. In this process of 'fine tuning' the understanding of global poverty, state actors' underlying assumptions have been informed by a range of sources, including most notably agents within the Bank, other UN organisations, and other (less materially powerful) developmentally focused states. Crucially, because the Bank is itself not a monolithic entity, this fixing on an MDG-centred view of poverty has important consequences on the contest within the organisation over how it should approach its mission. Entrepreneurial individuals and groups within the institution that favour a multi-dimensional conceptualisation of poverty (as opposed to the Bank's traditionally economistic understanding) have begun to rhetorically draw on the 'tremendous pressures' of the results agenda to bolster their proselytising efforts. In this manner, there is an intriguing intersection between creditors' efforts to better monitor and control the IO and the Bank's own internal battlefield for knowledge.

In a similar manner to the World Bank, during its early years of operation the IMF was able to carve out a niche within the nascent structures of global economic governance. Under the Bretton Woods System of fixed but adjustable exchange rates, the IMF's core function was to assist member states through balance-of-payments problems. Towards this end, by the 1960s the practice of attaching monitored conditions to the provision of loans had become the norm. The content of conditionality was determined by the Fund's evolving stock of expertise regarding the causes and appropriate responses to payments

crises, and in general members grew to accept that the 'tough love' of Fund policy packages was necessary.

As the Fund's lending activities began to shift increasingly towards low-income countries, unclarity began to grow amongst shareholders regarding the ultimate aim of its operations. To assist developing countries through the turbulence of the 1970s oil crises, a temporary Trust Fund was established in 1976. However, following its conversion into the more permanent SAF, long-term lending relationships began to build up between the Fund and low-income countries with persistent balance-of-payments disequilibria. With this adjustment lending, the IMF left the 'clean' world of macroeconomics and became enmeshed in the 'messy' world of development. As the Fund's operations with low-income members began to attract increasing criticism during the 1990s (e.g. Bird 1995, Bradlow and Grossman 1995, Killick 1995, Wade 1998, Garuda 2000, Grusky 2000), intra-shareholder disagreements arose as to the appropriateness of the Fund's new role.

By the close of the 1990s, a clear cleavage had begun to emerge between key shareholders over what form the Fund's engagements with low-income countries should take. On the one side, a group of 'developmentalist' shareholders held the view that, whilst it was necessary to fine-tune the poverty reduction and growth impact of Fund programmes, the organisation's expertise and resources should continue to play a significant role. On the other side, a group of 'minimalist' shareholders argued that the Fund's mission had crept into areas that were outside of its core expertise and that a process of disengagement was necessary. This division has led to a series of contradictory pressures to reform being placed on the IO. A negative feedback cycle has developed around contemporary reforms to the Fund's concessional lending operations, by which inconsistent reforms have led to continued disagreement between shareholders as to the appropriateness of the organisation's policy tools and aims. However, notwithstanding these divisions, over recent years 'social spending' has become an increasingly prominent feature of the Fund's concessional lending programmes; indeed, as is demonstrated below, this indication of the Fund 'doing good' is serving to ameliorate these long-standing divides over the scale and scope of the organisation's engagements with low-income countries.

6.2. Stakeholder control: Review of key findings

In sharp relief to the shareholder mechanisms of control at the World Bank and IMF, which were characterised by stable principal-agent arrangements, a core focus of the exploration of the evolving dynamics of stakeholder control was on the (re-)production of the relationship between the IOs and in-country groups. The unfolding processes at the Bank and Fund have been driven by the interaction of both internal and external factors, with high-profile crises periodically serving to 'heat up' the slow-burning institutional change that has underpinned these reforms. Although in many matters of detail the story of the politics of stakeholder control at the Bank and Fund differ, broad commonalities exist. The structural similarities of the organisations, as laid out in their founding mandates, provide the clearest point of shared experience. Owing to the importance of these initial provisions in influencing the future course of development in the politics of stakeholder accountability, this shared history is of deep consequence. Although there has been an overarching malleability to the mechanisms of stakeholder engagement at the Bank and Fund, these early organisational structures have in key respects proved to be tenaciously sticky.

The governance structures of the World Bank and IMF are laid out in their respective Articles of Agreement, which came into force in 1945. The plans agreed for the IOs were avowedly state-centric, and at the core of both sets of organisational blueprints was a chain of delegation through which official representatives of member governments maintained oversight and control. This chain remains broadly in place: through a plenary Board of Governors meeting, member states still select 24 Executive Directors to oversee the day-to-day operations of the IOs. Selection occurs through a voting system that is weighted according to states' financial contributions to the organisations, through which a small number of advanced industrialised states select individual Directors and smaller states are arranged into constituency groups. The implicit chain of delegation through which domestic groups have access to these formal governance structures has remained somewhat extended, flowing from on the ground actors to domestic representatives, and in turn to the relevant World Bank or IMF directors.

This 'club' model of IO governance was further reinforced by a number of other common provisions within the Bank and Fund's Articles. The stipulations that the organisations' in-country partners be limited to official representatives of fiscal agencies, the heavy levels of secrecy that restricted the flow of information outside of narrow policy-making circles, and the centralisation of staff at the headquarters in Washington, DC, all served to limit the effectiveness with which the delegated channels of stakeholder accountability could function. In addition, during their early years of existence, the institutional culture and operating procedures of both IOs provided an inauspicious environment in which to foster more direct links with stakeholder groups. The predominance of economists at the organisations led to the embedding of a worldview according to which little value was attached to soliciting the input of in-country groups, and this worldview served to support the evolution of the IOs as arenas populated exclusively by elite actors. From this common starting point, the evolving shape of stakeholder engagement at the World Bank and IMF began to diverge.

The beginning of the poverty reduction shift in the World Bank marks an important moment in the politics of stakeholder engagement at the organisation. The creation of an informal Sociological Group of Bank staff, which was given impetus by a drive to recruit individuals with a broader range of professional training and experience, supported the emergence of a counter-culture at the Bank. One of the key grounds on which the dominant intellectual thinking at the Bank was challenged regarded the *social* nature of the Bank's work and the consequent importance of integrating the insights of domestic populations into the design and implementation of projects. However, in order for significant operational change allowing more open avenues of stakeholder engagement at the Bank, a convergence of these intellectual currents with a period of crisis was required.

The 1980s saw a period of vocal and sustained criticism of the Bank, whereby NGO actors worked to highlight the harmful social and environmental consequences of Bank-supported projects. From the beginning of the decade, senior management at the Bank began to issue operational guidelines clarifying the participatory procedures that had to be followed in the design and implementation of particular types of project. Through this guidance, groups including indigenous peoples, those subject to involuntary resettlement,

and women began to be positioned as identifiable stakeholders with a legitimate claim to inclusion within decision-making structures. In 1993, with the launch of the Bank's Inspection Panel, these groups were provided with an institutionalised means of challenging Bank performance in this regard. In the following years, internal advocates of greater stakeholder participation have worked to disseminate changes in the behaviour and thinking of operational staff. With the assistance of various funding pots, the Vice Presidency for Environmentally and Socially Sustainable Development in particular has consistently sought to promote deeper engagements with domestic populations in project cycles.

In addition to the reforms to the mechanisms of stakeholder engagement that have emerged to support the effectiveness of project lending, concurrent developments surrounding the World Bank's policy-based lending have taken place. In recent years, the re-conceptualisation of domestic governance processes as a key determinant of economic growth has led Bank policy-based operations to increasingly include conditions relating to domestic mechanisms of stakeholder engagement. The focus of the World Bank's research department through the 1990s on the importance of domestic institutions to economic development – which emerged in the light of the growing dissatisfaction over the performance of early structural adjustment lending – played an important role in altering the understanding of governance and domestic stakeholder accountability within the process of development. By presenting an 'economic' rationale for the Bank to use policy-based lending to push countries to improve domestic governance mechanisms, the work of the research department has helped increase the coherence of this shift with the Bank's 'apolitical' bureaucratic culture.

In recent years, the PRMPS has become the institutional home of the efforts to advance the Bankwide focus on governance-related issues. With the substantial injection of resources that accompanied the recently launched Governance and Anti-Corruption agenda, PRMPS continues to push operational staff to integrate a focus on stakeholder participation and domestic stakeholder engagement into their work. By strategically targeting key Bank personnel and by presenting arguments that are framed according to institutionally accepted standards, PRMPS has contributed to the burgeoning shift in attitudes regarding the desirability and efficacy of domestic

governance reform to the organisation's policy-based work. The changes in the mechanisms of stakeholder engagement surrounding both the project and policy operations of the Bank have emerged through the complex interaction of internal and external pressures. In both, periods of crisis have played an important role in advancing reforms, with deeper processes of institutional learning and norm entrepreneurship working to sustain and embed behavioural change.

The area of operational terrain across which the relationship between stakeholders and the IMF has unfolded is, in general terms, analogous to that of the Bank. Developments have occurred both in the mechanisms through which stakeholders are included directly into the organisation's operating practices and in relation to the Fund's attempts to reform member states' domestic governance structures. Although the Fund's organisational structure, dominant bureaucratic culture, and operating procedures have provided an environment that has proved to be more enduringly hostile to greater stakeholder engagement than the World Bank, the relatively minor changes that have occurred are revealing about the necessary prerequisites of change.

In relation to changing mechanisms of stakeholder engagement *within* the Fund's operating procedures, two main developments in recent years are worthy of note. The first of these, the reform to the organisation's formal governance structure, is a rare example of outside pressure driving change. In 2008, the background noise of NGO criticism of the Fund's constituency-based system of representation for low-income groups began to resonate within the organisation. Minor reforms to the procedure through which member states' voting power is calculated were enacted, as was an arrangement whereby the Africa Group Executive Directors were empowered to select an additional alternative. These minor changes were intended to improve the ability of Executive Directors to represent their constituent countries' interests at the Fund, and, focused as they are on improving the delegated mechanisms of engagement, represent something of an indirect 'opening of doors' to low-income country stakeholder groups. Through the evolving role of the Fund's Res Reps, more direct channels have been opened to in-country stakeholders.

It was from the late 1980s that the number of permanent Res Reps expanded, largely as a practical response to the requirements for coordination and support services in the face of members' increasingly

prolonged use of Fund resources. Primarily intended to facilitate liaison with country authorities, over time Res Reps have been increasingly pushed by senior management to also serve as an institutional channel for in-country stakeholder groups. Similar pressure has also been applied to the Fund's temporary Mission Teams. There is, however, widespread external criticism of Res Reps' and Mission Teams' effectiveness in this regard, and indeed internal IEO reports have concluded that there is significant room for improvement. The widespread reluctance on the part of Res Reps to engage with the participatory processes that accompanied individual countries' PRSPs and the differing messages in this regard that were communicated through different Area Departments are symptomatic of the low levels of institutional support for broadening the mechanisms of stakeholder engagement at the Fund. Whilst it is common for analysts of the IMF to criticise this perceived under-performance, it is instructive to recall the underlying factors that help explain the slowness of behavioural change at the Fund.

The need to establish solid intellectual justification for operational change is a hallmark of expertise-based IOs like the IMF. Although such grounds have not yet emerged at the Fund in relation to widening stakeholder participation, the green shoots of such a development are visible. In recent years, analytic work into the links between broader participation in the formation of restructuring programmes, in-country ownership of these programmes, and their successful implementation has been produced by research staff and disseminated across the organisation. In addition, a nascent 'political economy' movement within the Fund is also detectable. Although political economy remains very much a minority interest in the Fund, an informal cluster of staff is beginning to form around the issue. Their efforts to translate the issue into the Fund's language of expertise have the potential to coalesce with shifts in operational practice to expand the mechanisms of stakeholder accountability at the Fund.

Turning to the more domestically focused aspects of stakeholder reforms at the IMF, recent years have witnessed the rise of the idea of the 'disciplinary stakeholder'. In the light of the Mexican 'Tequilla Crisis' and later Asian Financial Crisis, ideas regarding the 'information standard' and of the role of private finance as a disciplining 'early warning' gained prominence within the Fund. In the case of

low-income countries, owing to the absence of significant flows of private resources, the disciplinary role was transferred to stakeholder groups. With the General Data Dissemination Standard, the Fund now has a successful mechanism with which to pressure member states to release key data on macroeconomic performance and sociodemographic trends to the domestic audience. Collectively, the modest and relatively indirect nature of these shifts demonstrates that, over the medium term, the building of closer ties between Fund staffs and domestic stakeholders will remain a slow, incremental process.

6.3. Navigating the shareholder–stakeholder dichotomy

As was explored in Chapter 1, for cosmopolitan theorists international organisations are seen to display somewhat Janus-faced characteristics. On the one hand, IOs are seen to offer great promise. By providing institutional frameworks that contain the potential for democratic representation to be realised in relation to key issues in global politics, IOs are seen to have the latent capacity to be agents of progressive transformation; structures through which the power to affect decision-making processes can be passed to those most directly effected by those decisions. On the other hand, though, IOs are also seen to represent arenas with strong tendencies towards less desirable forms of behaviour. In particular, through their bureaucratic proclivity for generating standardised approaches to managing policy problems, IOs unleash potentially totalising dynamics that can impose institutionally powerful individuals' views over the views held by lower order actors. In order to link together 'the is' and 'the ought' of political analysis, I draw on the dynamics examined in earlier chapters to locate the operational practices of the World Bank and IMF on this totalising-to-democratising continuum.

Exploring this tension between totalising and democratising tendencies in global governance has been identified as *the* central analytic challenge for cosmopolitan scholars. And while not explicitly aligned in relation to this body of literature, recent works have set out to explore the manifestations of this tension in a number of areas of World Bank operations. When analysing the history of institutional tendencies towards top-down governance at the Bank in general and the organisation's engagement with education policy,

respectively, Ellerman (2006) and Neu et al. (2006) found the balance of power to lie at the centre, with the perspectives of those whose lives were more directly effected by Bank-supported interventions largely crowded out. Here, I map the shareholder–stakeholder dynamics at both the World Bank and IMF on to this broad continuum, concluding that recent dynamics are best characterised by an asymmetric accommodation that privileges the shareholder side of the dichotomy.

In the context of the present investigation, the totalising end of the spectrum can be seen to emerge with shareholder states gaining predominant control over key aspects of the World Bank and IMF's concessional lending operations. As was demonstrated in Chapters 2 and 3, there are at present significant drives to push both the Bank and Fund to perform according to operational yardsticks focused on poverty reduction, as measured by the MDGs and social-spending metrics, respectively. The tendency for bureaucratic structures to reduce complex social phenomena to a small number of readily tractable indicators is well established (e.g. Scott 1998); indeed, generating such data is a central component in the process of making an issue 'legible' for policy makers. However, the act of establishing data-collection networks also serves to lock in a particular (and often somewhat narrow) understanding of an issue, representing the final stage of a process whereby concepts are transformed from an initially highly contested, malleable form, to being regarded as representing a self-evident and pre-existing object, contested (and contestable) only at the margins (Blyth 2002, Breslau 2003). As such, the mechanisms of control drawn on by shareholder states at the World Bank and IMF can be seen to contain an imminent propensity to cause the views from the centre to crowd out peripheral actors' capacity to shape how an issue is conceptualised and addressed.

The rising prominence of poverty reduction in global economic governance has attracted significant comment in recent years. It was in the late 1990s that the then Managing Director of the IMF declared poverty reduction to represent the most pressing issue in world politics (Camdessus 1999c). By doing so, the Fund's rhetoric began to match that issued by representatives of the World Bank, whose public pronouncements to this effect can be traced back several decades (e.g. McNamara 1973, Wolfensohn 1999). However, whether suggesting that this turn to poverty reduction is serving to distract the Bank

and Fund from the 'bigger picture' of sustainable long-term growth (Birdsall and Londoño 1997) or challenging the appropriateness of the 'top-down' dynamics that are seen to reside in this shift (e.g. Peet 2003, Weber 2006), a range of critical commentators have challenged this increasingly tight focus from the Bank and Fund. Moreover, official documents submitted to the institutions by low-income member states provide direct evidence of frustration with the foregrounding of poverty. In its PRSP, submitted to the Bank and Fund to secure a substantial debt write-down, the Government of Guyana (2002: 25) communicates this tension clearly:

> The term poverty reduction adversely affects national pride as it is linked with bankruptcy and mismanagement at the local and international levels. It also affects personal dignity leading to a sense of hopelessness and despair. This is unnecessary because it is possible to achieve the same objectives embodied in the PRSP guidelines . . . with a concept of a wealth creation strategy, and to do so without creating discord.

In addition, other governments have also moved to challenge the prescribed focus on poverty in official documents submitted to the Bank and Fund in a similar manner, adopting growth-based definitions of 'poverty' and challenging the official language on a case-by-case basis.[1]

At the World Bank and IMF, then, the policy goals being locked in by the organisations' shareholders are serving to create a homogenised template to low-income member states, placing poverty reduction as the core outcome to be achieved. And while overt frustrations have emerged in response to what, from a cosmopolitan perspective, can be seen as a totalising dynamic, it must also be acknowledged that these developments represent just one side of the coin. By contrast, the evolving relationship between the Bank and Fund and in-country stakeholders represents the opposing, democratising dynamic, through which the power to shape operational practice is being (very gradually) opened up to domestic populations.

As organisations whose ability to interact with non-governmental actors remain strictly limited by their Articles of Agreement, the capacity of the World Bank and IMF to function as democratising

forces in global politics exists within clear formal limits. However, notwithstanding these constraining factors, the World Bank, in particular, has travelled a significant distance from its original, club-style *modus operandi*. By fostering an increasingly active engagement with domestic stakeholder groups in project cycles, Bank practices are transcending its traditional state-centric boundaries. And while the *ad hoc* nature of these interactions and the barriers to engagement experienced by certain groups mean that cosmopolitan demand for systematic democratic representation in international institutions remain a distant goal, the developments observed represent necessary first steps in the direction of subsidiarity. In addition, by increasingly pushing member states to integrate a range of in-country groups into domestic governance structures, the World Bank's concessional lending operations are serving to enhance stakeholders' capacity to influence decision-making processes at multiple levels. Although from a highly restricted starting point, operational shifts at the Bank have over recent years increased domestic stakeholder access to mechanisms of control.

Developments in this regard at the IMF have been somewhat less significant. Whereas the Bank's institutional structures and evolving bureaucratic culture facilitated greater levels of direct stakeholder engagement, Fund staffs continue by and large to engage with a narrow range of official government representatives when conducting concessional lending operations. The relative lack of a democratising dynamic within the Fund is slightly tempered by the focus on enhancing both domestic ownership of policy programmes and the flow of information to stakeholder groups. As with similar developments at the Bank, these shifts at the margin serve to increase domestic groups' capacity to influence decisions taken over national macroeconomic policy; however, the magnitude of the impact of these operations should not be overstated.

Taken together, the totalising dynamics surrounding the Bank and Fund's concessional lending operations can be clearly discerned. The democratising dynamics, while also evident, appear to be on a somewhat less significant nature, and particularly so in relation to the evolving operations of the IMF. With these contrasting but unbalanced tendencies, through the Bank and Fund's recent history the balance struck between dynamics of shareholder and stakeholder control has been one of asymmetric accommodation. These findings

suggest that, on balance, the Bank and Fund remain far removed from the cosmopolitan ideal; while major shareholder states' control over the core outputs from the organisations' concessional lending activities has attained a relatively high level, stakeholder groups' access to mechanisms of control over decision-making processes, while growing, remains relatively low. However, the insights generated through previous chapters can be drawn upon to ensure that cosmopolitan injunctions for reform – to reintroduce Brassett and Higgott's (2003: 31) phrase – remain with 'the arc of possibilities'. Any attempt to catalyse the democratising potential of the Bank and Fund must acknowledge that significant operational change is contingent on a combination of reforming bureaucratic culture and institutional structures; in order to become embedded, staffs must believe in the value of fostering systematic stakeholder engagement and have the practical capacity to manage and maintain these closer interactions. Though possible over the long term, a rebalancing of this asymmetric accommodation will remain an incremental process driven by the creative forging of alliances between actors in and around the IOs.

6.4. Post-crisis developments at the World Bank

It is widely recognised that periods of crisis often have a direct and dramatic effect on processes of institutional change. Prompting periods of policy experimentation, crisis-type events accelerate pre-existing dynamics, while also laying the basis for significant rupture to occur with past practices (e.g. Gourevitch 1986, Blyth 2003, Best 2004). By common reckoning, the Global Financial Crisis represents the most significant systemic trauma since the Great Depression of the 1930s, as such, while post-crisis responses and reforms remain an ongoing process, I here provide a 'first cut' analysis of their emerging impact on the shareholder and stakeholder dynamics reviewed above and in the main body of the book.

At the World Bank, the outbreak of the GFC was met with a commitment from donor countries to bolster IDA's resource base. Indeed, through IDA-16 (which concluded in 2010) Bank shareholders agreed to release a record total of US$49.3 billion to support the organisation's concessional lending activities through the global downturn, mandating that a dedicated Crisis Response Window

be created for low-income countries suffering as a consequence of the dramatic exogenous economic shock. As a consequence of this injection of resources, IDA lending rose by over 50 per cent in the post-crisis (2008–11) over the pre-crisis (2005–07) period, from US$10.2 billion per year to US$15.7 billion per year, respectively (World Bank IEG 2011a: xxii, 1). When these figures are disaggregated, a number of interesting trends emerge in relation to the form taken by lending disbursals, trends that intersect with the established shareholder–stakeholder dynamics in the organisation.

In line with previous developments, IDA shareholders have continued to use replenishment negotiations to reiterate their desire to see the Bank's concessional lending support the achievements of the MDGs. At the announcement of the IDA-16 agreement, the Deputies noted that monitoring borrowers' progress towards achieving the MDGs would remain a key 'overarching theme' of the accompanying Implementation Framework. Owing to their perceived spillover benefits to other Goals, the gender-related indicators were highlighted for special attention from Bank operations (World Bank 2010a: 1–2). Following the guidelines established through IDA-16, Bank staffs are required to evaluate the gendered impact of *all* IDA projects, regardless of primary sector or thematic focus. In addition, the IDA-16 Deputies mandated that Country Assistance Strategies – the Bank's all-important framework document that sets out country-level priorities – must be 'informed by country-specific gender analysis' (World Bank 2010b: 8–11). Through the establishment of internal monitoring processes to track staffs' compliance, the IDA-16 agreement represents a significant attempt by shareholders to again draw on the power of the purse to improve the Bank's (and borrowing-country authorities') performance in relation to the MDGs.

In parallel with this visible intervention by shareholders, a series of developments have occurred which impact on the capacity of domestic stakeholders to influence decision-making processes. On the one hand, the volume of resources distributed through concessional development policy loans has significantly dropped in recent years. The declining popularity of the modality is a consequence of the tension between the requirement for rapidly disbursing resources as the effects of the GFC are felt, and the long lead-time attached to this modality (World Bank IEG 2011a: 16). Given the role of policy-based

lending as a means of pushing borrowing-country governments to improve domestic governance and accountability structures (see Chapter 4), this shift has implications in relation to mechanisms of stakeholder control. And this dynamic is being compounded by closely linked developments in project-based lending. With the re-emergence of the 'disbursal imperative' at the Bank, there has been a notable turn towards 'simple and repeater projects' (World Bank IEG 2011a: 18), whose rapid turnaround times leave restricted space for resource-intensive processes of stakeholder engagement. Indeed, hard evidence to support these tentative conclusions can be found through the Bank's internal resource tracking system; since the emergence of the Global Financial Crisis, the long-term upward trend in funding for governance reform has begun to reverse (World Bank IEG 2011b: 5). Through altered practices in the fields of both policy- and project-based lending at the World Bank, at the margins stakeholder access to mechanisms of control is being reduced. While it remains to be seen whether this development represents a medium- to long-term trend, in the short term it appears that the Bank's 'asymmetric accommodation' of shareholder and stakeholder dynamics is becoming increasingly asymmetrical.

6.5. Post-crisis developments at the IMF

As an organisation whose core mission is to provide emergency support to member states through periods of external instability, it should come as no surprise that the Global Financial Crisis has been good for business at the IMF. In the early- to mid-2000s, the Fund was experiencing a near-existential crisis, as the middle-income and emerging-market members whose interest payments were needed to cover the organisation's operational budget stayed away. Indeed, in the light of vocal criticism of the organisation's handling of the Asian Financial Crisis in 1997–98 and the Argentine Crisis of 2001, and with the assistance of a buoyant global economy with readily available liquidity, many states moved towards a policy a 'self-insurance', building up reserves with a view to 'going it alone' through any times of instability (Mendoza 2004, Kapur and Webb 2007). However, as the early impact of the Global Financial Crisis began to be felt, it rapidly became clear that the IMF – and the IMF's resources – would be at the centre of the global response.

During financial year 2009, the IMF approved new commitments totalling some SDR66 billion (US$106 billion) to member states requiring emergency assistance to cope with the fallout from the 'credit crunch'. This figure represented a huge expansion in lending activity; at SDR27 billion (US$44 billion), the *combined* commitments accrued during the previous five-year period represented less than half of the 2009 amount. And following a slight increase in this figure the following year, through 2011 a new record high of SDR130 billion (US$208 billion) was committed (IMF 2011: Appendix II). In order to underwrite this surge in lending, in 2009 the IMF's major creditors agreed in principle to treble the organisation's lending base, from US$250 billion to US$750 billion (Broome 2010a: 38). As of mid-2012, some US$430 billion has been provided towards this total (IMF 2012), with additional increases being dependent on developments in the Eurozone.

With the IMF having broken its three-decade hiatus in lending to advanced industrialised members, it is understandable that the arrangements with Greece, Iceland, Ireland, and Portugal have attracted substantial popular attention. However, significant developments have been afoot in relation to the Fund's concessional lending activities. In line with the trends exhibited in overall commitments, the volume of post-Crisis concessional lending at the Fund has dramatically increased. At SDR2 billion (US$3.2 billion), commitments provided through the Poverty Reduction and Growth Trust in 2010 represented a record high in concessional lending, with more concessional arrangements made between 2009 and 2011 than in any other three-year period in the history of the organisation's concessional operations.[2] With the limits on concessional lending having been doubled and agreements in place to ensure that a proportion of any addition increases in the Fund's resource base are channelled to low-income borrowers, the volume of concessional lending looks set to remain at a high level through the medium term.

Beyond these quantitative increases in the Fund's concessional lending activities, there has also been an introduction of a new range of financial instruments. In 2009, the PRGF was converted into the Poverty Reduction and Growth Trust, with the new Trust being accessible to low-income countries through one of three routes. The first of these come through the Extended Credit Facility (ECF); by providing three-year arrangements to members with protracted

balance-of-payments problems, the ECF directly replaces the old PRGF. In addition, a Standby Credit Facility (SCF) has been established, which provides assistance to members with short-term financing needs and can be used in a precautionary manner. Finally, a Rapid Credit Facility (RCF) allows for the disbursal of modest volume of resources in response to exogenous shocks, natural disasters, and other temporary emergencies. Through the RCF an initial *tranche* is released without explicit performance requirements, and overall conditionality is intended to be of a limited scope.[3] And although these operational shifts are of significant intrinsic importance, the point at which these post-Crisis developments at the Fund begin to intersect with the shareholder–stakeholder dynamics examined above is in relation to the emergence of social-spending conditionality.

Following an extended period of disagreement between major shareholders over the desired shape of IMF engagements with low-income countries, through the late 2000s 'social spending' began to emerge as a widely agreed upon measure of the organisation's effective performance. Indeed, as part of the 2009 reorganisation of the Fund's concessional lending architecture, the prospect of using conditionality to ensure that social-spending levels were protected through periods of restructuring was explicitly introduced (see Chapter 3). Building on a series of internal developments that can be traced back to the first Boardroom discussions of the Fund's relation to poverty reduction in the late 1980s, the immediate trigger for this operational shift came from a series of Congressional Legislative Mandates in early 2009. These Mandates tied the release of additional resources from the United States to the Fund's incorporation of measures to maintain or increase levels of social spending in its agreements with low-income member states. With the post-Crisis boom in concessional lending, the impact of this shareholder pressure is beginning to be seen.

Although the requirement for IMF staff to collect data on low-income countries' social-spending levels was established earlier in the 2000s, 2008 the inclusion of explicit targets in relation to this expenditure category remained largely absent from lending arrangements. Of the 27 new and ongoing concessional arrangements reviewed by the Board through the course of the year, 60 per cent contained no reference to social spending, with a general – and typically very

cursory – commitment to protecting such expenditures occurring in around 15 per cent of programme documents. The remaining quarter of concessional arrangements contained indicative targets on the issue (these constitute a form of 'soft' conditionality, which are monitored but on whose achievement the release of loan *tranches* is not made contingent). With the second Legislative Mandate coming mid-way through the year, 2009 was a time of transition; however, by 2010 a wholesale operational shift had taken root. Of the programmes reviewed by the Fund's Executive Directors during 2010, only two failed to mention social spending. With indicative targets in 17 programmes, hard conditionality on social expenditure in two, and with the inclusion of discursive commitments in the remaining seven, there is preliminary evidence of shareholder success in establishing a mechanism for ensuring that the organisation delivers a tangible impact on poverty reduction.[4]

As was the case at the World Bank, post-Crisis shifts in the IMF's concessional lending activities can be seen to be leading towards an increasingly unbalanced accommodation between shareholder and stakeholder dynamics of control. Whereas at the Bank shareholder efforts to use the provision of supplementary finance to focus operational outputs on poverty reduction occurred alongside a slight closing-off of stakeholder access to decision-making processes, at the Fund the visible shifts have taken place in relation to shareholder control; the level of stakeholder engagement remains settled at its relatively low level in the organisation's operations. In both of the Bretton Woods Twins, with shareholders' capacity to control rising and stakeholders' access to mechanisms of control remaining stable or at the margins decreasing, post-Global Financial Crisis dynamics are leading to a situation of increasingly asymmetric accommodation. The direction of travel through the medium term and beyond is as of yet indeterminate; however, for the cosmopolitan goal of democratising global economic governance to be achieved, this dynamic must successfully be reversed.

Taking staffs' 'common sense' understandings of their operational environment as its point of departure, this book has explored major dynamics shaping shareholder and stakeholder control at the World Bank and IMF. After acknowledging the material and ideational drivers of operational change, Chapters 2 and 3 presented historically grounded analyses of shareholder states' attempts to shape

the focus of the Bank and Fund's concessional lending operations. Although different journeys have been followed, in recent years shareholders have embarked upon concerted efforts to push the two institutions to achieve a demonstrable impact on poverty reduction. At the Bank, the MDGs have become a key proxy-indicator of success in this regard; at the Fund, social spending has become the yardstick of choice. Through Chapters 4 and 5 attention turned to dynamics of stakeholder control. From similar starting points of non-engagement with domestic populations, significant operational shifts have emerged over time at the Bank such that stakeholder groups are now commonly integrated into all stages of project cycles by supportive Bank staffs and increasing stakeholder integration into domestic decision-making processes have become a central feature of the organisation's ongoing governance agenda. At the Fund, moves to engage directly with in-country populations have been much more restricted and efforts to open up domestic governance processes have remained limited to indirect efforts to boost transparency and data dissemination.

Through this final chapter, an audit has been undertaken of the contemporary shape of shareholder and stakeholder dynamics of control at the Bank and Fund. By returning to the cosmopolitan literature introduced in Chapter 1, which suggests broadly that the capacity to influence political processes should be systematically made available to those most affected by outcomes produced, I have demonstrated that current trends are most accurately characterised as following a path of asymmetric accommodation; while shareholders' control over the focus of operational outputs have grown significantly over recent years, stakeholder access to decision-making processes has increased at a markedly slower pace. This imbalance has been accentuated by post-Global Financial Crisis developments in both organisations' concessional lending operations. Although a dramatic democratisation of global economic governance is unlikely to occur, rebalancing over the medium to long term remains within the current arc of possibilities. The insights contained in previous chapters have demonstrated that the developments to date have come through a slow process of reforming institutional structures and bureaucratic culture. Future rebalancing, if it is to occur, will be contingent on alliances of actors in and around the Bank and Fund successfully challenging these structures and cultures, which to date have proved to be tenaciously sticky.

Notes

1 Introduction

1. Emphasis added.
2. Indeed, differing mechanisms of shareholder and stakeholder control continue to constitute a key point of rupture between competing varieties of capitalism in contemporary debates (Hall and Soskice 2001, Clift 2009).
3. See, for example, IMF IEO (2008a: 21, 2002: 9, 12), and 'About Us', World Bank Official Website, available at: http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,contentMDK:20040580~menuPK:1696997~pagePK:51123644~piPK:329829~theSitePK:29708,00.html. Accessed 4 March 2011.
4. For more on 'seeing like an IO', see Broome and Seabrooke (2012).
5. For innovative work on pragmatist epistemology, see Sil and Katzenstein (2005), Cochran (2002), Johnson (2002), and Sil (2000).
6. I have developed the morphogenic model by drawing on the lessons learnt from the case study within this research project, and as such the framework is best viewed as an 'organising perspective' that facilitates the exploration of complex issues and provides a basis for future refinement (Rhodes 1997: 5).
7. Quoted in Aksu (2007: 275).
8. Quoted in Archibugi (2004: 438).
9. Emphasis in original.

2 Shareholder Control and the Rise of Poverty Reduction at the World Bank

1. McNamara was President of the Bank from 1968 to 1981.
2. Over the years, the IBRD was joined by the IDA, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). These institutions are known collectively as the World Bank Group. The main focus of this study is on the IDA, the concessional lending arm of the World Bank Group's activities.
3. From an initially restricted position in which World Bank dollar-denominated bonds were issued only to the New York financial market, the Bank now issues globally in 19 currencies. See World Bank Treasury official website, at http://treasury.worldbank.org/Services/Capital+Markets/Annual+Issuance/index.html. Accessed 3 May 2009.
4. I borrow the term from Thomas Freidman (2000: 101–11). Whereas Freidman uses the metaphor to describe the relationship between global

capital and domestic policy options, I apply it to the relationship between the Bank and private finance in the early years of the Bank's operations.

5. IDA Articles of Agreement and Accompanying Report of the Executive Directors of the IBRD, Article V(Ib) paragraphs 13–15 (1960). Cited in Rajagopal (2003: 111).
6. Official World Bank website biopic of Robert McNamara, available at http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTARCHIVES/0,contentMDK:20502974~pagePK:36726~piPK:437378~theSitePK:29506,00.html. Accessed 13 May 2009.
7. By the conclusion of IDA-10, the G7 still supplied over 80 per cent of replenishment commitments. See OECD Development Assistance Committee database, at http://www.oecd.org/dataoecd/50/17/5037721.htm. Accessed 4 May 2009.
8. The major creditors were, however, by no means always successful in these attempts. In 1971, for example, the US restriction of aid to India in the face of a deteriorating relationship was actually countered by IBRD and IDA lending, in spite of US pressure to the contrary (Woods 2006: 37–38).
9. For contributions to this debate, see World Bank (2001b, 2004a, 2004b).
10. This figure of US$300 million represented almost one-third of the US$850 million the United States agreed to contribute to IDA across the period from 2003 to 2005.
11. Including, for example, the 1980 WDR. See Mawdsley and Rigg (2002: 273).
12. The dramatic outlier in 2000/01 is the result of the WDR focusing on 'Attacking Poverty'. The following graphs on capacity-building assistance and the availability of poverty indicators also contain outliers around 2000/01, which I suggest were linked to a millennium-inspired push on MDG monitoring.
13. See World Bank Statistical Information Database, available at http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,contentMDK:20541648~menuPK:1164885~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html. Accessed 13 May 2009.
14. The group that I focus on are the 23 low-income countries that have passed through the PRSP initiative to receive HIPC debt relief. For a complete list of the HIPC group, see IMF 'PRSP Factsheet', available at: http://www.imf.org/external/np/exr/facts/hipc.htm. Accessed 13 May 2009.
15. Calculated using figures from the World Bank *World Development Indicators Database*. On the database, nine proxy-indicators are used by the Bank to represent seven of the MDGs: I aggregated the total number of these poverty indicators on the database per year from the HIPC recipients' list. This provided a rough corroboration of the Bank's own findings regarding the growing capacity of low-income countries' data-collection capabilities. Many thanks to Judi Atkins for her help with this painfully monotonous task!
16. See ARMS section of the World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/EXTAFRRES/

0,contentMDK:21372873~menuPK:3882921~pagePK:64168445~piPK:64168309~theSitePK:3506896,00.html. Accessed 28 April 2011. For an examination of the use of training as a means of IO influence, see Broome (2010c).

17. The Citizen Report Card was rolled out by the Participation and Civic Engagement Group to a wide range of partner organisations at a workshop in Ghana in mid-2004. For more information on the Citizen Report Card see the World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTPCENG/0,contentMDK:20507464~pagePK:210058~piPK:210062~theSitePK:410306,00.html. Accessed 5 April 2011.
18. On the role of Country Directors, see Aycrigg (1998: 18).
19. See Poverty Reduction Group section of the World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,contentMDK:20153855~menuPK:373757~pagePK:148956~piPK:216618~theSitePK:336992,00.html. Accessed 5 April 2009.
20. Poverty Reduction Group Training Workshop on Impact Evaluation of Poverty Alleviation Programs & Institutional Reforms, 29 April 2009. For further information see http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,contentMDK:22164246~menuPK:435390~pagePK:148956~piPK:216618~theSitePK:430367~isCURL:Y,00.html. Accessed 5 May 2009.

3 Shareholder Conflicts and the Rise of Social Spending at the IMF

1. Interview with the author.
2. Interview with the author.
3. Going back to the creation of the Bretton Woods Twins, it has been accepted practice that the United States gets to select the President of the World Bank and that the Europeans select the Managing Director of the Fund (Swedberg 1986: 379). As a consequence, US policy makers commonly regard the Fund as a 'European' institution.
4. Although evident in this issue area, this US–Europe division is by no means a persistent feature of life at the IMF. On the promotion of capital account liberalisation, for example, as many pressures came from Europe as from the United States. See Abdelal (2007).
5. Currently, the United States, Japan, Germany, France, the United Kingdom, China, Saudi Arabia, and Russia appoint independent Executive Directors.
6. See IMF Official Website, IMF Executive Directors and Voting Power, available at http://www.imf.org/external/np/sec/memdir/eds.htm. Accessed 28 April 2011.
7. In 1999, the Interim Committee was renamed the International Monetary and Financial Committee (IMFC). See IMF Official Website, IMF Factsheet: A Guide to Committees, Clubs, and Groups, available at http://www.imf.org/external/np/exr/facts/groups.htm. Accessed 28 April 2011.

8. Although originally quotas were paid in a ratio 75 domestic currency and 25 per cent gold, in its contemporary operations members are required to pay in domestic currency and SDRs. SDRs are in essence a unit of account used by the Fund, consisting of the euro, Japanese yen, British pound, and US dollar. See IMF Official Website, IMF Factsheet: The SDR, available at http://www.imf.org/external/np/exr/facts/sdr.htm. Accessed 26 April 2011.
9. This has occurred both directly through resource transfers and indirectly through gold sales.
10. Article I, Section V. See IMF Official Website, at http://www.imf.org/external/pubs/ft/aa/aa01.htm. Accessed 22 September 2010.
11. Article I, Section VI. See IMF Official Website, at http://www.imf.org/external/pubs/ft/aa/aa01.htm. Accessed 22 September 2010.
12. It should be noted that Harry Dexter White, the chief US negotiator, was a staunch advocate of a more interventionist IMF.
13. For an overview of the evolution of conditionality, see Boughton (2001: 557–636), Barnett and Finnemore (2004: 51–60).
14. The Interim Committee was created in 1974, when the growth in Fund's membership made the plenary Board of Governors meetings impracticably large. The Committee provided policy advice to the Board and communicated feedback and guidance to the Executive Directors and senior staff. The forum was renamed the IMFC in 1999. It contains 24 members, all of whom are IMF Governors and reflects the constituency groupings of the Executive Board. See IMF IEO (2008a: 10–11).
15. For a detailed discussion of the content of 'structural adjustment', see IMF Exchange and Trade Relations Department Staff Paper, 'Monitoring of Structural Adjustment in Fund-Supported Adjustment Programs', 1987. Archive reference EBS/87/254.
16. Indeed, other Directors raised concerns about the incompatibility between the legal requirement that Fund's resources remain 'revolving', and the rolling out of medium-term arrangements with low-income members. See IMF (1987c: 3).
17. After the initial pressure to recycle resources from the Trust Fund had passed, the growing need for 'defensive lending', alongside the danger of 'cross conditionality' magnifying the impact of the failure of an arrangement, was undoubtedly a significant factor underlying these trends.
18. This shortcoming continues to dog the IMF. In the words of a senior member of the EXR, it is 'not in economists' genes' to communicate evidence of operational success in accessible terms. Interview with author, November 2008.
19. *Report of the International Financial Institution Advisory Panel*, March 2000, iv. See US House of Representatives Official Website, at http://www.house.gov/jec/imf/ifiac.htm. Accessed 22 September 2010.
20. An anecdote from a former Executive Director (in place at the time of the Meltzer Report) hints at this closeness, which the accounts and Executive Board Minutes noted in the following paragraphs corroborate. The

Executive Director told of an informal office game whereby points were awarded to staff within the Directorate for convincingly matching statements by the US Executive Director to recommendations from the Melter Report. Interview with author, November 2008.

21. Staff within several Executive Directors' offices (including the US office) provided this interpretation of events, as did other senior management within the Fund. Interviews with author, November and December 2008.
22. A 2007 IEO report concluded that Fund staff 'lack[ed] clarity on what they should do on the mobilisation of aid, alternative scenarios, and the application of poverty reduction and social impact analysis' and that Executive Directors had expressed a range of views on these issues. See IMF IEO (2007: vii, 87–89).
23. The UK statement noted that 'the Fund needs to decide how the PRGF will evolve so that it can best provide assistance' and that 'the IEO report provides a useful set of principles for developments in this area' (IMF 2004b: 91).
24. The German statement noted that 'the many problems the [PRGF] is facing are not due to insufficient staff resources being devoted to it. Rather, we think that low-income countries themselves could, in some instances, have done more to make the [PRGF] more successful – a question that has not received sufficient attention in the evaluation' (IMF 2004b: 97).
25. Interview with author, December 2008.
26. Interview with author, December 2008.
27. A very senior member of staff in the US Executive Directorate provided a succinct explanation of how operational reforms in conflict with the desire of the organisation's one member state with an effective veto continue to be made: 'We acquiesce . . . . We think the IMF should stay closer to its mandate, whereas others, such as the French and UK, think it should be more involved in development-type activities'. Interview with author, December 2008.
28. During meetings leading up to the launch of ESAF, the only Directors to provide clear support for growth targets were those representing the Anglophone Africa and Dutch constituencies. Author's analysis of IMF (1987a, 1987b, 1987c).

4 The World Bank and the Reconstruction of Stakeholder Engagement

1. Interview with the author.
2. See Nielson et al. (2006) on analogous moves to embed the Comprehensive Development Framework during the early 2000s by parachuting in sympathetic personnel, and Chwieroth (2010) on the process whereby 'new blood' carried in ideas about the benefits of capital account liberalisation to the IMF.
3. Keohane and Nye characterise this early period as following the 'club' model of IO accountability, whereby regimes for trade and monetary stability operated exclusively at the elite level in a manner that was 'largely invisible to publics' (2000: 2).

4. The term 'process conditionality' is used by Lazarus (2008: 1216) to refer to the requirement that low income countries' PRSPs be formed after broad in-country consultation.
5. The original signatories of the Articles of Agreement were Belgium, Bolivia, Canada, China, Czechoslovakia, Egypt, Ethiopia, France, Greece, Honduras, Iceland, India, Iraq, Luxembourg, Netherlands, Norway Philippines, South Africa, the United Kingdom, the United States and Yugoslavia. See World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTARCHIVES/0,contentMDK:64054690~menuPK:64319211~pagePK:36726~piPK:36092~theSitePK:29506,00.html. Accessed 28 April 2011.
6. The Bank now has 186 member states, who select 24 Executive Directors. For further information, see the World Bank official website, at http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,contentMDK:20040580~menuPK:1696997~pagePK:51123644~piPK:329829~theSitePK:29708,00.html. Accessed 28 April 2011.
7. For the full Articles of Agreement, see World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/BODEXT/0,contentMDK:20049557~menuPK:64020046~pagePK:64020054~piPK:64020408~theSitePK:278036,00.html. Accessed 28 April 2011.
8. See previous footnote.
9. The most high-profile restructuring was carried out under Barber Conable in 1987, when, to the anger of many staff, every position in the organisation was placed up for reassignment (Kapur et al. 1997: 1200–1).
10. For an overview of the evolution of the Bank's information disclosure policy, see World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTANDOPERATIONS/EXTINFODISCLOSURE/0,contentMDK:21868955~menuPK:64864677~pagePK:64865365~piPK:64864641~theSitePK:5033734,00.html. Accessed 28 April 2011.
11. African membership of the Bank rapidly expanded over this time period. By 1957, there were just two African members, which by the start of the 1970s had expanded to 40 (Lancaster 1997: 162).
12. See Escobar (1995) for a detailed critique of this 'scientific' approach to development.
13. As Fox and Brown (2000: 489) note, although there were few direct links between the external campaigners and internal advocates, 'each reinforced the other, with the external critique tipping the balance in an internally divided Bank'.
14. OP 4.10, paragraph 1. See World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,menuPK:64701637~pagePK:51628525~piPK:64857279~theSitePK:502184,00.html. Accessed 28 April 2011.
15. OP 4.10, paragraph 9.
16. OP 4.12, paragraph 6a(ii).
17. OP 4.12, paragraph 32.
18. BP 4.20, paragraph 1a(i.v).

19. BP 4.20, paragraph 3a, c, and d.
20. BP 4.20, paragraph 5.
21. See Fox and Brown (2000: 500–5) for a comprehensive overview of these campaigns by NGOs and grassroot movements.
22. Compare, for example, Udall's criticism of the Panel's lack of independence and subjugation to managements' legalistic parrying of requests (2000: 421–27), with Fox and Brown's judgement that the Panel 'gave teeth' to the Bank's social and environmental reform policies (2000: 489).
23. The former released approximately US$4.25 million over FY1995, 1996, and 1997; the latter approximately US$750,000 in FY 1995 (Francis and Jacobs 1999: 347).
24. Although these resources are available, finding them is often an issue. It is generally necessary for Task Team Leaders or their immediate superiors to be experienced, well-connected individuals with a solid knowledge of the Bank's often opaque structure.
25. Interviews with Bank staff, November and December 2008.
26. The desk review of projects relied primarily on Project Appraisal Documents, which are produced between the design and implementation phases of the cycle. The civil society engagement registered by the review, then, consisted of both events that *had* occurred during the planning phase and events that *were due to occur* during the implementation or monitoring phase. Also, there is no grading of the 'strength' of the engagement: one meeting to disseminate information was given the same weighting as a series of consultation in which CSOs were empowered to re-design significant elements of a project (World Bank 2006b: 25).
27. Ritzen (2007: 576) makes the point that outsiders tend to overstate the relative importance of policy lending to the Bank's total portfolio.
28. World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,contentMDK:20120732~ menuPK:268725~pagePK:41367~piPK:51533~theSitePK:40941,00.html. Accessed 28 April 2011.
29. In direct opposition to the conclusion of *Governance Matters*, Chang (2007: 12) suggests in an introduction to a recent edited collection that: 'A less obvious principle in the technology of institution building that the volume suggests is that it is often more effective to start the process of institutional reform by introducing the desired economic activities than by introducing the desired institutions'.
30. See World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/0,menuPK:286310~pagePK:149018~piPK:149093~theSitePK:286305,00.html. Accessed 28 April 2011.
31. As a senior PRMPS staff member said of the influence of the Governance Council: 'Countries now feel the light is on them'. Interview with author, November 2008.
32. See World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/0,contentMDK:20223795~menuPK:468641~pagePK:210058~piPK:210062~theSitePK:286305,00.html. Accessed 28 April 2011.

33. This technique is reminiscent of the attempts of senior management back in the late 1990s to embed the operational changes they wished to see under the Strategic Compact. On these Strategic Compact reforms, see Nielson et al. (2006).
34. See World Bank Official Website, at http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/WBEUROPEEXTN/NORWAYEXTN/0,contentMDK:21997367~pagePK:1497618~piPK:217854~theSitePK:402751,00.html?cid=3001. Accessed 28 April 2011.
35. Although such developments are by nature difficult to track with a high degree of precision, several long-time members of staff at the Bank remarked on this shift in interviews. In addition, a number of operational staff – including one Country Economist – confirmed that their most recent appraisals had featured reference to this type of outreach activity. However, conflicting views on this largely subjective issue exist: indeed, when an earlier version of this chapter was presented at a workshop on 'Development and International Organisations' at the Annual Bank Conference on Developmental Economics, the World Bank discussants offered opposing takes on the issue.

5 Apolitical Economy and the Limits to Stakeholder Engagement at the IMF

1. Interview with author. The comment was made in a literal sense, but also provides an insightful metaphor into the effect of the intellectual culture at the Fund. The interviewee talked in depth about the links between the assumption in academic macroeconomic analysis that abstract modelling can generate optimal solutions and the belief by Fund staff that there is a 'right' answer to policy questions. Hence, at the Fund, little value is attached to 'opening the door' to solicit input from a range of sources, let alone 'on the ground' actors in borrowing countries.
2. A senior member of staff from the IMF Office of Technical Assistance Management presented this characterisation of the Fund's *modus operandi*. Interview with author, November 2008.
3. Tamar Gutner (2010) quotes a senior IMF official as using this phrase to explain the limitations to the Fund's interactions in borrowing countries.
4. The term was used with this meaning by a Senior Economist at the IMF Institute. Interview with author, December 2008.
5. The World Development Movement (2006), for example, criticised the IMF for 'denying democracy' in low-income countries.
6. I use the term in the manner laid out by Keohane and Nye (2000: 2).
7. See IMF Official Website at http://www.imf.org/external/np/sec/memdir/eds.htm. Accessed 12 June 2012.
8. For the full Articles of Agreement, see IMF Official Website at http://www.imf.org/external/pubs/ft/aa/index.htm. Accessed 28 April 2011.
9. See footnote 8.
10. This aspect of the Fund's institutional culture was most commonly mentioned in interviews by individuals with an personal experience of both

the Fund and the Bank, notably a World Bank Country Economist and Senior Economist with the World Bank International Policy and Partnerships Group. Interviews with author November and December 2008.

11. This practice led to situations in which, partly owing to low-income country resource constraints, one-man delegations with insufficient authority arrived at IMF headquarters to negotiate arrangements, with predictable consequences for the subsequent implementation of conditions. See Baber and Jeffrey (1986: 135).
12. For notable examples of such work, see Stone (2002) and Broome (2008).
13. Of these innovations only the Staff Monitored Programme gained wide acceptance, although it was by no means universally admired at Board level (IMF 2004c: 20).
14. See, for example, Nelson (2000: 413).
15. Indeed, the DDI was launched against a broader background of both the IMF and World Bank encouraging low-income countries to establish the architecture for private financing to play a greater role in development. See Lavelle (1999) for a general overview, and Lavelle (2001) on the experience of Cote d'Ivoire.
16. There is a continuing debate over the efficacy of the SDDS in this regard. A review by Mosley (2003: 331) concluded that as private market actors had not become actively involved with the SDDS, its signalling function remains ineffective. The view on the inside of the Fund is somewhat different, with its review of this branch of the DDI concluding that private actors had begun to integrate this information stream into their decision-making processes. Moreover, the Fund also highlights the disciplinary effect on governments as a marker of success (IMF 2008b).
17. Indeed, a senior official in the Fund's Policy Development and Review Department Low-Income Country Division estimated that of the low-income country member states, around five had a realistic chance of gaining access to private finance. Interview with author, December 2008. The Fund's classification of low-income countries is based on the World Bank's list of IDA-eligible members.
18. All ROSCs under the GDDS have a section examining the accessibility of data to the public.
19. For more information on operational 'layering' by the Fund, see Moschella (2011).
20. Author's cross-referencing of the 2011 list of IDA-eligible countries with the 2011 list of participants in the GDDS. On the GDDS, see IMF Official Website at http://dsbb.imf.org/Applications/web/gdds/gddscountrylist/; on IDA-eligible countries, see World Bank Official Website at http://data.worldbank.org/about/country-classifications/country-and-lending-groups#IDA. Accessed 27 April 2011.
21. Interview with an advisor to the IMF Statistics Department, December 2008. Also, see Kibuka (2007).
22. See IMF Official Website at http://dsbb.imf.org/Pages/GDDS/CountryList.aspx. Accessed 26 April 2011.

23. Much of this information was provided by interviewees within the IMF Statistical Department, December 2008. Some information on projects surrounding the GDDS can be found on the IMF Official Website at http://dsbb.imf.org/Pages/GDDS/GDDSNew.aspx. Accessed 26 April 2011.
24. As Scholte (2002: 20) notes, relative to institutions of global economic governance such as the Bank for International Settlements, Organisation for Economic Cooperation and Development, and World Trade Organisation, the IMF's efforts to engage with non-state actors begins to look relatively successful.
25. For a complete list of Executive Directors' constituencies, see IMF Official Website at http://www.imf.org/external/np/sec/memdir/eds.htm. Accessed 28 April 2011.
26. Senior staff within the Francophone and Anglophone African IMF Executive Directorates highlighted the practical difficulties of maintaining regular contact with 24 and 20 governments, respectively, the majority of whom had ongoing Fund arrangements. Interviews with author, November 2008.
27. This general trend is noted by the IMF IEO (2010) and was commented on by several senior staff in the Anglophone and Francophone Africa Executive Directorates. Interviews with author, November and December 2008.
28. Several interviewees made reference to the role of this presentation, including senior staff within the Anglophone Africa, US, and UK Executive Directorates, who were often highly complementary about the NGO. Interviews with author, November and December 2008.
29. The Public Information Notice accompanying the Board discussion, for example, relays that the majority of Directors expressed 'dissatisfaction with the present distribution of quotas'. See IMF Official Website at http://www.imf.org/external/np/sec/pn/2009/pn0998.htm. Accessed 26 April 2011.
30. Indeed, staffs rate the expertise level of Executive Directors significantly lower than the Board rate themselves in each of the categories listed (IMF IEO 2008a: 15).
31. Although personnel in key positions at the Bank (notably Country Directors) exhibit more ambiguity or hostility to broader participation by domestic groups in Bank-supported projects, staffs 'in the field' are generally more supportive. See, for example, Aycrigg (1998: 18), Rosenburg and Korsmo (2001: 297), Bebbington et al. (2004: 52), and Chapter 4 above.
32. As reported in IMF IEO (2004: 69).
33. The IEO itself admits that 'in general, the [PRSP] processes have not generated meaningful discussions . . . of alternative policy options' (IMF IEO 2004: 3).
34. This informal network was mentioned by several interviewees as evidence that a concern with 'political economy' issues is taking root at the IMF. Interviews with author, November and December 2008.
35. Figures collated using the IMF Official Website 'Publications Search' function at http://www.imf.org/external/pubind.htm. Accessed 28 April 2011.

6 Conclusion

1. This observation was made in interviews with a World Bank Country Economist (Washington DC, October 2008) and a Senior Economist from the IMF Fiscal Affairs Department (September 2011).
2. Author's analysis of IMF Annual Reports.
3. See IMF Official Website for further information, available at http://www.imf.org/external/np/exr/facts/ecf.htm. Accessed 08 June 2012.
4. Author's analysis of IMF programme documentation.

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