

The Politics of Accountability at the World Bank and IMF:
Reforming engagements with low-income countries

by

Liam Clegg

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Department of Political Science
and International Studies
College of Social Science
The University of Birmingham
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Abstract

The accountability relationships that surround the operations of the World Bank and International Monetary Fund are a key feature of global politics. These institutions continue to face criticism from both state and non-state actors over a perceived 'democratic deficit', and yet the frameworks that we use to investigate the politics of accountability in international organisations (IOs) remain underdeveloped. By integrating the insights of rationalist and constructivist approaches to the study of IOs, this thesis provides clarifications to the conceptual tools available to analysts working in this field. In addition, through a dual focus on the politics of shareholder and stakeholder accountability at the Bank and Fund, important empirical advances are made over previous works. By placing contemporary developments in their historical context, a detailed picture is drawn of the dynamics surrounding shareholder states' attempts to control these IOs, and of the processes through which relationships between IO staff and in-country stakeholders are reformed. The thesis closes by exploring the fruitful cross-pollination between the analysis of the politics of accountability and broader works on cosmopolitan global governance, concluding that through such a combination the former can be better 'put to work', and the real-world tractability of the latter can be enhanced.

Acknowledgements

For many students, the final few weeks in the process of completing a PhD thesis are a time of long hours, low levels of sleep, and high levels of stress. Shortly after starting at POLSIS I remember seeing a member of my new peer group, during a manic four-day writing and editing session, taking to napping under his desk rather than ‘wasting time’ walking home to bed. Following this and other similar episodes, I decided early-on to try to make the most of the first two and a half years of my PhD, assuming the closing stages would inevitably become something of a living nightmare. I am glad to report that not only did I thoroughly enjoy the opening two and a half years of my time in Birmingham, but that I also had a remarkably smooth run-in, too. Not a single night has been spent *sous-table*. And for this I owe a lot of thanks to a lot of people.

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List of 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 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 |

Chapter One – The Politics of Accountability in International Organisations

1.0. Introduction

Accountability is a hot topic for international organisations (IOs). Many IOs face criticism from both member states who accuse them of being unresponsive to demands for change, and from non-state actors who protest that they are marginalised and ignored within IOs' operating procedures. Straddling the domestic/international divide, IOs tend not to fit neatly into accountability structures as traditionally conceived. In one sense, IOs are deeply 'inside' countries: their actions undoubtedly affect individuals and groups within particular states, often profoundly. However, IOs have remained conspicuously 'outside' of national level accountability mechanisms, often represented only by proxy through the governments that have supported or implemented IO-sanctioned policies. Instead, the accountability mechanisms of IOs have traditionally remained lodged in the realm of the international: representatives of states delegate resources to IOs, and construct systems with which to monitor and control their actions.

These state-centred channels continue to constitute the predominant mechanisms of accountability in the world of IOs. Criticism has long been voiced by NGOs regarding the perceived inadequacies of these accountability structures, and recently there has been a dramatic increase in the intensity of such challenges. Over the last decade, in addition to a ratcheting-up of pressure from NGOs, many prominent IOs have attracted unprecedented levels of mass public opposition. The violent confrontations between police and demonstrators at the Battle of Seattle in 1999 represented the apogee of public anger at the so-called 'instruments of

globalisation', and in the following years large scale protests against institutions of global governance have become commonplace at key global summits.

These accountability issues are amplified in the cases of the World Bank and IMF. In addition to several decades of NGO-based protests, member states have long voiced concerns that the institutions have taken on functions beyond their mandates. More recently 'everyday actors' have increasingly taken to the streets to protest against what they perceive to be the disastrous impact of Bank and Fund engagements in their countries (Walton and Seddon 1994). The violence that erupted on the streets of Athens in response to the IMF-backed austerity plans illustrate that such popular discontent remains a powerful feature of global politics. In addition, it is rare to read a politician's speech, a newspaper's editorial, or an NGO's publication about the institutions that lets slip the opportunity to attack them for shortcomings on this front. Given the 'new intrusiveness' of the Bank and Fund's activities (Woods & Narlikar 2001: 569), there seems little reason to doubt that accountability will remain high on the agenda of the international financial institutions. Indeed, the Communiqué following the G20 London Summit of 2009 called on member states to explore ways of 'providing strategic direction to the IMF and increasing its accountability'.¹

Although accountability is very much on the public agenda of the World Bank and IMF, it is an issue rarely addressed in academic writing, and the conceptual implications for the wider analysis of IOs that follow from the 'politics of accountability' are yet to be mapped out. The purpose of this thesis is to address this lacuna, and more immediately the purpose of this chapter is to establish a conceptual framework around which the politics of accountability can be explored. In order to draw together two previously disparate conceptualisations of the accountability of

¹ See G20 London Summit Official Website, at <http://www.londonsummit.gov.uk/resources/en/news/15766232/communique-020409>.

IOs, in the form of the *shareholder* and *stakeholder* variants, I advance a model that captures the complex and dynamic relationships surrounding the operations of these IOs. In relation to shareholder accountability, I examine both the mechanisms through which states seek to control the activities of the Bank and Fund, and the process through which their understanding of what constitutes ‘appropriate’ IO behaviour is altered. In relation to stakeholder accountability, I focus on the micro-processes through which the channels of interaction between the IOs and in-country groups are formed and re-formed over time. In both cases, by placing contemporary developments in their historical context, a detailed picture of the currently unfolding changes is presented.

There is a tendency in existing analyses to examine the accountability practices of the Bank, the Fund, and IOs in general against ‘gold standard’ models. The standards against which the Bank and Fund are assessed commonly remain implicit or under-explored (e.g. Stewart and Wang 2006, Craig and Porter 2002, Grusky 2000). Although such works often generate important empirical insights, their conceptual utility is by definition limited. In contrast, a number of analyses have sought to draw on cosmopolitan political theory to explicitly sketch out yardsticks against which to assess the democratic credentials of IOs (e.g. Archibugi 2008, Habermas 2001, Held 1996, Archibugi 1995, Falk 1995, Held 1995). With their firmly grounded normative positions, these latter works offer a fruitful point of engagement for this examination of the politics of accountability at the World Bank and IMF. The thesis closes with an exploration of this common ground, concluding that such a combination allows for the central insights into the dynamics surrounding the politics of accountability to be better ‘put to work’, and for the real-world tractability of works on cosmopolitan global governance to be enhanced. In addition,

by exploring ‘international organisations and the construction of governance space’, a template is put forward around which the democratic credentials of the Bank and Fund can be assessed.

Recent reforms in the engagements of the Bank and Fund with low-income countries provide a fascinating insight into the politics of accountability at these IOs, which shed light onto a number of contemporary trends. The most high profile attempt to clarify the grounds of the Bank and Fund’s interactions with indebted countries has been the Poverty Reduction Strategy Paper (PRSP) initiative, which in 1999 sought to both introduce a mainstreaming of poverty reduction and embed a ‘participatory turn’ in the formation of restructuring programmes. In relation to the former, we see that significant efforts are being made by creditor states to hold the World Bank accountable according to a poverty reduction metric, whereas with the Fund disagreements between creditors as to the appropriate goals of the organisation have impeded the embedding of such a framework. Regarding the participatory ‘process conditionality’ of the PRSP initiative,² this development represents a fundamental shift in the rules of engagement of the Bank and Fund. Whereas previously domestic politics was officially ‘off-limits’, now the organisations are formally pressing national governments to establish political processes that incorporate the active participation of a broad range of in-country groups. Alongside this focus on reforming national-level mechanisms of stakeholder accountability, recent years have also witnessed significant (albeit incremental) changes to the channels through which the Bank and Fund engage directly with in-country groups. The main body of the thesis is dedicated to exploring both the processes through which changes occur in the (direct and indirect) mechanisms through which the Bank

² The term ‘process condition’ is used by Frazer (2005: 318) to describe the participatory requirement within the PRSP initiative.

and the Fund engage with stakeholder groups, and the contemporary dynamics surrounding shareholder states' attempts to control these IOs.

As well as exploring the dynamics *within* the politics of shareholder and stakeholder accountability, the thesis also reflects upon the dynamics *between* these relationships. By linking up the analysis of the politics of accountability with contemporary debates in cosmopolitan political theory, I show that there are inherent tensions within the three-way relationship between the IOs, their major creditors, and the recipients of their assistance programmes. Whilst the Bank and Fund are providing material resources and information to empower domestic populations, the pre-existing operational goals that underpin the activities of these complex bureaucratic organisations serve ultimately to restrict domestic actors' capacity for autonomous action. With creditor states' monitoring frameworks limiting the potential of domestic groups to set key policy-goals, shareholder control continues to crowd-out stakeholder empowerment.

The goal of this thesis is ambitious: to advance a conceptual framework capable of tracking the politics of accountability surrounding the World Bank and IMF's engagements with low-income countries, and to present a detailed picture of contemporary developments therein. In order to keep this ambitious goal attainable, it is necessary at the outset to clearly delineate the general parameters of the study. Concerning the empirical focus of the study, analysis is focussed on the reforms to Bank and Fund practices that have occurred in relation to International Development Association (IDA) and Poverty Reduction and Growth Facility (PRGF) lending. The PRSP initiative, launched in 1999 with much fanfare regarding the mainstreaming of poverty reduction and participation by the Bank and Fund, is of particular importance here, and particular attention is paid to the 24 countries that have reached 'completion

point' in the initiative.³ These countries, 20 in Africa and four in Central and South America, have a history of both a heavy reliance on Bank and Fund resources, and of making slow progress in terms of economic development. The impact of World Bank and IMF programmes on economic development continues to be hotly contested, and, as the thesis shows, the question of how to measure and improve the effectiveness of the performance of these IOs remains at the centre of the politics of accountability at these IOs.

In terms of the conceptualisation of 'accountability' within the study, although the exploration of the contestability of the term is at the centre of the investigation, two general strands are focused on. The first, 'shareholder' accountability, refers to the relationship between the IOs and their major creditors,⁴ and can be explored by integrating rationalist and constructivist approaches to the analysis of IOs. The second, 'stakeholder' accountability, refers to the relationship between the IOs and populations in borrowing countries affected by the programmes that they support. Although these theoretical approaches have not previously been applied to this branch of IO accountability, rationalist and constructivist insights can again be drawn upon to bring clarity to the issue, and to allow for a holistic analysis of the politics of accountability in the Bank and Fund to be undertaken.

The remainder of the opening chapter is structured as follows. In the second section, in order to clearly situate the theoretical contribution made by this investigation of the politics of accountability at the World Bank and IMF, I outline the

³ As of January 2009, these countries were Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Ethiopia, The Gambia, Ghana, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé & Príncipe, Senegal, Sierra Leone, Tanzania, Uganda, Zambia. See IMF official website at <http://www.imf.org/external/np/exr/facts/hipc.htm> (accessed 27 March, 2009).

⁴ There is by necessity a degree of flexibility around the term 'shareholder'. In the case of the Bank the focus is on the US and key IDA donors; at the Fund, the focus is on the US and key European member states.

current ‘state of the art’ regarding the analysis of IO accountability. In the third section I begin to lay the foundations of the analytic framework around which the thesis is structured. This is initially done through an investigation of the social relationships that are implied by the concept of ‘accountability’, before the shareholder and stakeholder variants are outlined more fully. In the fourth section I set out the central analytic framework in detail. At core, the framework seeks to integrate rationalist and constructivist approaches to the study of IOs by drawing on the ‘morphogenic’ model of change to highlight the fundamental compatibility of the approaches. The penultimate section of the chapter serves to clarify the epistemological position upon which the study is founded, which I characterise as following a broadly pragmatist approach. Finally, the concluding section of the chapter provides an overview of chapters 2 to 6, which constitute the main body of the thesis.

1.1. Competing visions of IO accountability

The World Bank and IMF, it is fair to say, are high profile international organisations, with significant material power in the international economy. Both institutions directly control the flows of substantial volumes of resources to member countries. At the close of financial year 2008-09 the IMF had 44 active arrangements with member countries, under which a total of US\$42 billion were committed;⁵ at the World Bank Group, total lending commitments made by the IBRD and IDA over the period came to US\$47 billion.⁶ In addition to the practice of tying these resources to particular projects and policy programmes, the IOs also exert a more subtle form of influence.

⁵ IMF Annual Report 2009, Appendix Table II.2. See IMF Official Website, available at <http://www.imf.org/external/pubs/ft/ar/2009/eng/pdf/a2.pdf>.

⁶ See World Bank Official Website, available at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22233771~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.

Through the unparalleled concentration of institutional expertise at the organisations, the Bank and Fund wield a formidable agenda-setting capability in the fields of development and balance of payments respectively (Barnett and Finnemore 2004: 13, Mawdsley and Rigg 2002: 93).

Within academic and policy-making circles, debates have long raged as to the impact of Bank-supported projects and Fund-supported programmes on borrowing countries. Regarding the World Bank, works have commonly sought to bring to attention prominent examples of the harmful social and environmental consequences of large-scale developments (e.g. Fox 2000, Fox and Brown 2000, Mehta 1994, Rich 1994, Hancock 1989). Regarding the Fund, meta-analyses of the effect on economic growth of policy conditionality exist alongside case studies of particular country programmes (e.g. Barro 2005, Bird 2004, Boorman 2000, Bird 1995, Killick 1995). Closely linked to these controversies over their effectiveness, disputes over the appropriateness of the accountability structures surrounding the IOs has also been rife. Owing to the size and complexity of the Bank and Fund, and the fact that their operations are conducted across global, national, and local sites of authority, opinions on the matter span a wide continuum. On the one hand, they have been characterised as acting at the behest of the advanced industrialised states (and particularly the US), who are said to employ the IOs in pursuit of strategic interests (Andersen et al 2006, Stone 2004); on the other, they are characterised as rogue institutions, acting only to further their own narrow bureaucratic interests (Vaubel 1996). Before stepping into this heated area of dispute, it is useful to take a diversion into the established literature on accountability and IOs. By so doing, the foundations can begin to be laid for the analytic framework around which the following investigations of the politics of accountability at the World Bank and IMF are structured.

With the profusion of writings on the role of international institutions in contemporary IPE, the issue of accountability has in recent years ‘gone global’ (Benner and Witte 2004: 1). The dominant strain of writing on accountability beyond the national level presents an image of disjuncture between state-based accountability mechanisms and increasingly global power structures (Chesterman 2008, McGrew 1997, Held 1995, Ohmae 1995). Globalised networks of production, trade, and finance are said to leave communities at the mercy of forces over which they have little control. The problem is summed-up succinctly by McGrew (1997: 231), who argues that the contemporary era is ‘an epoch in which the scale of human social organisation no longer appears to coincide with national territorial boundaries’. The position of IOs within this complex milieu is heavily contested, with works examining the issue falling broadly into two camps. The dividing line running between the two groups regards which actors are seen to constitute the accountability relationship. On the one side are works that concentrate on the relationship between states and IOs, on the other those that concentrate on the relationship between stakeholders and IOs.

Of the two forms of analyses, those investigating the relationship between stakeholders and IOs have been the more prominent. The contrast between the deeply embedded mechanisms through which states and IOs interact and the comparatively novel attempts by IOs to increase their engagements with stakeholders explains this difference. The attempts by states to influence IOs’ behaviour is old news; IOs’ moves to incorporate a wider range of actors into decision-making processes, which are often imperfect and so controversial, attract a greater degree of interest. Works examining developments in the area of stakeholder accountability are in the main critical of the performance of international organisations, with judgements being reached by assessing IOs against either a theoretically derived aspirational model (e.g.

Held 2009, Aksu 2007, Archibugi 2004), or against more general standards of best practice (e.g. Glenn 2008, Scholte 2001).

Drawing on cosmopolitan-inspired beliefs in the advances to be had by attempting to solve collective problems through communication and persuasion,⁷ the more theoretically driven analyses of stakeholder accountability in IOs are structured with an *a priori* belief in the benefits to be had from broadening the available channels of interaction. The following assessment is characteristic of such work:

While mechanisms exist in principle to provide a measure of accountability in some of these [international] organisations... the nature of their accountability, if any, to the ordinary citizens of the nation-states in which they operate, remains an acute and pressing question (Held 1995: 139).

Directly participatory mechanisms of stakeholder accountability are presented as *the* model to be emulated. IOs that fail the test are presented with repeated injunctions to reform (e.g. Goldblatt 1997, Dryzek 2007, Held 2009).⁸ Measurement of the real world against an ideal standard to encourage a closing of the (inevitable) performance gap is a long established practice, and indeed the advocacy of any reform agenda relies on such a process. However, without the addition of a close analysis of the current stakeholder accountability practices of particular IOs, and of the process through which changes occur in such activities, the value of such works is restricted.⁹

In contrast to the assessments lodged firmly in the realm of the ideal, there is an established strain of writing that takes a more context-sensitive approach to the issue of stakeholder accountability in IOs. By examining specific instances of IO performance, such works provide a valuable insight into institutions' current practices. Although the trend is not universal, most of these works contain a critical

⁷ As formulated most notably by Habermas (1985).

⁸ For an overview of cosmopolitan critiques of global governance, see Archibugi (2004).

⁹ As is shown in chapter six, this shortcoming can be addressed by linking-up the insights of the politics of accountability with these comprehensively structured normative arguments.

edge.¹⁰ Along these lines, critical reflections on the practices of the United Nations (Henry 2009), the African Development Bank (Hunter and Clark 1995), and the Inter-American Development Bank (Nelson 2000) have been presented. However, the institutions in receipt of the highest concentration of such critical analysis have been the World Bank and IMF, sparked in recent times by their operationalisation of the participatory component of the PRSP initiative. Amongst such works, attention has been placed on both individual country experiences (World Development Movement 2006, Craig and Porter 2002), and on the overall contribution of the Bank and Fund to the promotion of in-country participatory processes (Blackmon 2008, Stewart and Wang 2006, Grusky 2000). This seam of literature on stakeholder accountability in IOs is undoubtedly empirically rich, and contributes to the valuable project of illuminating IOs' current practices. However, the yardstick with which IO performance is measured remains problematic. In the case of Bank- and Fund-specific literature, for example, although most works criticise the IOs for an insufficient contribution to the realisation of satisfactory participation, they can be unclear about the standards that *should* be met. Although the insights of such literature are drawn upon in order to help elucidate the contemporary practices of the Bank and Fund, it is the more theoretically informed cosmopolitan works that are returned to in the closing chapter of the thesis.

As is shown in the concluding chapter, combining the insights regarding the factors that combine to (re-)shape the mechanisms of interaction between the IOs and in-country stakeholders with the insights of these cosmopolitan-based works is a mutually beneficial venture. The analysis of the politics of accountability can be linked-up to the strong normative commitment within the cosmopolitan approach, and

¹⁰ There are, for instance, a number of legalistic analyses of formal changes to the operations of IOs. See, for example, Bradlow (2005), and Suzuki and Nanwani (2006).

the insights regarding detailed processes of change can be used to increase the extent to which cosmopolitan-inspired calls for reform remain in the ‘realm of the possible’. The conceptual framework around which the politics of stakeholder accountability at the Bank and Fund are examined is outlined in the following sections of the chapter. For now, the existing literature on the analysis of shareholder accountability is turned to.

Within the analysis of international organisations it has long been held that states call the shots, and it is often taken for granted that the state-IO accountability relationship is a natural aspect of world politics. This state-centric, shareholder view of accountability is understandable: international organisations are, in an immediate sense, the children of states, conceived through the act of granting a mandate and supported by resources from the founding parties. However, the conceptualisation of the role and the degree of agency of IOs themselves in this relationship has shifted dramatically. The first wave of analyses of transnational regimes, which emerged in the late 1970s, tended to downplay the significance of the institutional structures at the centre of these regimes. Instead, the central disputes focussed on what motivated state actors to participate in such arrangements. Within the so-called ‘neo-neo debate’, those on the liberalist side saw states cooperating with a view to maximising the individual gains, while those on the realist side argued that the anarchical nature of the international system compelled states to keep a firm eye on the relative distribution of the fruits of cooperation (Lamy 2001: 193-5, Keohane 1986: 10-25).

In more recent years attention has turned onto IOs themselves, as rationalist and constructivist scholarship has taken centre stage. Although not framed explicitly in terms of ‘accountability’, rationalist-based analyses have sought to examine the features of state-IO relationships that inhibit or enhance the ability of states to control

IOs. The working assumption of such works has been, if not ‘he that pays the piper calls the tune’, then at least that the core *problematique* of enquiry should be the investigation of conditions that affect the extent to which this is the case (e.g. Hawkins et al 2006, Lake 2006, Bauer 2002). Often presented in opposition to the rationalist approach, constructivist works have tended to focus on exploring the more subtle forms of power exerted by IOs, through which they are able to manufacture autonomy from their state-masters. For constructivists, a key mechanism of influence lies in their ability to fix the understanding of both policy problems and the appropriate responses to these issues. In order to effectively exercise this influence, it is said that IOs have to work to establish and maintain a position of expertise on pressing issues of global governance (e.g. Weaver 2008, Barnett and Finnemore 2004). Both approaches are drawn upon in the analytic framework used to structure this investigation of the politics of accountability at the World Bank and IMF, and as such are outlined fully in the following sections of the chapter.

The conceptual framework that I advance in order to comprehensively explore the politics of accountability at the World Bank and IMF contributes to an innovative line of work drawing on the insights of both rationalist and constructivist approaches to the study of IOs (Vetterlein 2007, Weaver and Park 2007, Nielson et al 2006, Jupille et al 2003). The framework allows for the subtle power relationships between major creditor states and IOs to be investigated, and for the interplay between internal and external factors to be coherently examined in the dynamics surrounding changes in the mechanisms of stakeholder accountability. Before this framework is outlined in depth, an elucidation of the meaning of the term ‘accountability’ is provided. Such a clarification is a vital, albeit occasionally overlooked, component of an investigation into accountability in the world of IOs.

1.2. A historical account of accountability

At first sight deceptively straightforward, the concept of accountability as in fact remarkably elusive. Although standard definitions reveal important aspects of the social relationships implied by the term, they fail to capture the multiplicity of forms that accountability relations can take. In addition, the role played by key actors in the granting of legitimacy to accountability mechanisms is often underplayed. These lacunae are particularly serious in relation to the analysis of IOs, where not only do multiple accountability practices commonly cut across overlapping levels of governance, but also where the institutions themselves often play a central part in controlling and sanctioning changes in accountability practices. By briefly examining the etymology of the term, it is possible to uncover the core properties of accountability; however, in order for a comprehensive understanding of accountability in the world of IOs to be put forward, it is necessary for a number of appendages to be made.

In everyday language, ‘accountability’ is used synonymously with terms such as ‘responsibility’ and ‘culpability’, and is taken to refer to the requirement that in a given context an individual explain or justify their actions to an appropriate audience. When accountability is considered in an explicitly political context, it is broadly held to be ‘a process where a person or group of people are required to present an account of their activities and the way in which they have or have not discharged their duties’ (Lawton and Rose 1994: 19). The existence of sanctions or penalties is also commonly held to be central to the idea of accountability: when the discharge of duties has been found to not accord with established expectations, some form of remedial action – be it the provision of an explanation, a policy change, or a ‘sacrificial’ resignation – is required (Flinders 2001: 12). A history of the word’s verb

stem shows that, over time, three key aspects have been sedimented into the meaning of the word. These are the exchange of information, the existence of a relational hierarchy, and the potential for sanctions to be deployed by the holder of power to alter the behaviour of the agent held to account.

In its early use, *to account* meant literally to ‘reckon, count-up, or calculate’, and was primarily applicable to fiscal practices (Wagner 1990: 7). However, far from being a mechanical, objective activity, *accounting* is said to have been a powerfully constitutive act that served to make sense of the complexities of the social world. Indeed, there is an intimate connection between accounting and the construction of the apotheosis of information, the fact. According to Poovey:

Early-modern bookkeeping was one of the first practices where a proto-type of the modern fact was generated. In contrast to ancient facts, which referred to metaphysical essences, modern facts are assumed to reflect things that actually exist, and they are recorded in a language that seems transparent (1998: 29).

Thus, when we look to the etymological base of accountability, we find information, and particularly reliable information about an aspect of the social world, to be at the centre.

As accountability migrated into the world of formal politics the term gained an explicitly inter-personal aspect, and in doing so became imbued with a secondary set of power relations, beyond the constitutive. Under the medieval structures of government, founded on the principle of the divine right of the monarch, accountability began to gain a connotation of social control. A ‘system of accountability’ evolved centred around the Court of the Exchequer, whose members ensured that anyone who owed outstanding monies to the King faced a judicial trial and would face appropriate sanctions to secure payment (Horowitz 1999). Under the threat of coercive action, subjects whose accounts did not tally with official reckoning were compelled to make amends.

The connection between accountability, information, and control has remained through to the modern period. With the shifting of the basis for governmental legitimacy from monarchy to democracy, accountability began to acquire important aspects of its contemporary meaning. Growing consensus that the legitimate exercise of governmental power rested on the consent of the governed led to a revolution in the understanding of accountability. In the place of the top-down model, in which subjects were called to account by the government, there emerged a bottom-up model, in which governments were called to account by citizens. The shift is captured well in the writings of Locke, who advocated a shift from the ‘divine right of royalty’ to the ‘divine royalty of right’. It was for Locke the masses that had the authority to judge whether governments were adequately meeting what they held to be right and just goals: if they judged not, then the people could dispense with the existing government (Held 1996: 80).

In complex modern societies, a plethora of mechanisms have emerged in order to ensure that governance structures are, in the final reckoning, accountable to ‘the people’. At the most general level, accountability is linked to the revocability of a mandate: however, this blunt instrument is supplemented by a wide range of auxiliary mechanisms. These mechanisms can be embedded in the formal structures of government through, for example, ministerial responsibility, select committees, and judicial review, or in the less direct contractual relationships between ‘next-step’ service providers and consumer-citizens (Flinders 2001: 12, 20-27). Despite the multiplicity of forms, these accountability mechanisms remain united by their common foundation upon the dual principles of the provision of information between hierarchically arranged actors, and the prospect of one actor legitimately exercising control over another.

Such definitions of accountability have been transplanted directly into analyses of IOs. Stiglitz (2003: 11), for example, suggests in relation to the World Bank and IMF that accountability implies that:

[The IOs] are given certain objectives; there is a reliable way of assessing whether they have met those objectives; consequences exist for both the case in which they have done what they were supposed to do and the case in which they have not done so.

Although such understandings do capture part of the accountability relationship, specifically the exchange of information and the legitimate exercise of control, they leave a number of its central aspects unexamined. In relation to international organisations these lacunae apply mainly to the field of stakeholder accountability, although subtle aspects of the shareholder accountability relationship are also missed by these conventional accounts.

By emphasising the exchange of information and the exercise of legitimate control within a settled hierarchical arrangement, established understandings of accountability capture the essence of the state-IO relationship relatively well. Mechanisms of shareholder accountability tend to be built into the formal organisational structures of IOs, be it through the ratification of decisions through voting by member-states in plenary sessions or through delegated representation on Executive Boards. However, one issue that is rarely examined is the question of the yardstick by which the actor ‘in control’ of the accountability relationship judges performance, which is commonly taken to be exogenously determined. Such bracketing off of important socialisation processes obscures a subtle form of power in the world of IOs, specifically the capacity of the agent held to account to frame the way in which the controlling agent understands an issue. A concern with this aspect of the shareholder-IO relationship is integrated into the analytic framework that guides the present investigation of the politics of accountability in the World Bank and IMF.

Whilst it is understandable (and indeed useful) to emphasise the dynamics that develop within a static, largely uncontroversial relationship when discussing shareholder accountability, such a view is less appropriate in the field of stakeholder accountability. Here, attention must also be paid to the processes of contestation surrounding mechanisms of engagement, and to the important role played by the wider social environment in legitimating an accountability relationship. For IOs, many of which face competing demands for change from a range of state and non-state actors, the question of who is to be involved in accountability relationships is a pressing concern. Consequently, a focus on the institutional features that affect the evolution of mechanisms of engagement with in-country groups must be a central component of the analysis of the politics of stakeholder accountability. Although facets of accountability as commonly understood (such as the exercise of legitimate control) are less applicable to these dynamic contexts, an awareness of the complexity and multiplicity of accountability mechanisms allows for a comprehensive understanding of contemporary trends to be presented.

As the above review makes clear, accountability has conventionally been understood to refer to a set of social relationships encompassing three key criteria: the exchange of information, the existence of a stable hierarchy, and the legitimate exercise of control. Although such a definition provides a useful starting point for inquiry, a number of modifications are required in order for the politics of accountability in the world of IOs to be comprehensively captured. Regarding shareholder accountability, the main characteristics of the relationship between major states and IOs are captured well by the conventional understanding, although the ability of international institutions to frame state-actors' understandings is overlooked. Regarding stakeholder accountability, the conventional understanding fails to cover

the most important aspects of interest. Here, the unsettled nature of the relationship means that emphasis needs to be placed on the internal and external factors that impact on changes to practices in this area, and also on the important role played by IOs themselves in legitimating mechanisms of engagement with stakeholders. The current investigation into the politics of accountability at the World Bank and IMF adopts a broad conceptualisation of accountability, which integrates the areas ignored by conventional understandings into its analytic framework. As the following sections of the chapter demonstrate, the insights of rationalist and constructivist models of IOs can be integrated in order to allow for such a holistic investigation of the politics of accountability in IOs to be carried out.

1.3. Integrating rationalist and constructivist models of IOs

Accountability in international organisations is a highly complex issue, in the name of which institutions are beset by competing demands from a range of actors. By distinguishing between the shareholder and stakeholder variants, and recognising that there are inherent differences between these accountability relationships, it is possible to bring a degree of analytic tractability to the issue. However, in order to fully lay the groundwork for the following investigation of the politics of accountability at the World Bank and IMF, it is necessary to outline the guiding analytic framework in detail. The framework, which is constituted through an integration of the insights of rationalist- and constructivist-based approaches to the analysis of IOs, allows for a comprehensive interrogation of both the functioning *and* evolution of the accountability relationships surrounding the operations of the Bank and Fund. Although with different points of emphasis, the investigation of both the politics of shareholder accountability and the politics of stakeholder accountability can be

structured around a ‘morphogenic’ combination of rationalist and constructivist accounts. Before outlining the morphogenic method of combining these approaches, it is useful to first present an overview of the characteristics and respective merits of the approaches.

Rationalist approaches to the analysis of international organisations are characterised by a conceptualisation of state- and IO-actors as behaving according to incentive-based structures of decision-making. Within such works, the predominant structure of analysis is the principal-agent (PA) model, whereby states are taken to be the ‘principals’ in control (to a greater or lesser extent) of their IO ‘agents’. The principal-agent approach provides important insights into the shareholder-IO accountability relationship, although by ignoring the social environment in which state interests are formed, it leaves a key source of IO power in this context unexamined. In order to fully uncover the power relationships that are embedded within shareholder accountability, it is necessary to investigate not only the mechanisms through which states attempt to monitor and control IOs, but also the more subtle means through which IOs are able to contribute to the socialisation of states. In order to facilitate such an analysis, the constructivist approach to the analysis of IOs must also be drawn on.

The central contribution of the PA approach to the understanding of shareholder accountability lies in its investigation of states’ abilities to monitor and control IOs. At its core, the PA approach attempts to ‘examine IOs in their roles as agents variously responsible to member states’, and to address the two linked questions of ‘why do states delegate certain tasks and responsibilities to IOs?’ and ‘how do states control IOs once authority has been delegated?’ (Hawkins et al 2006: 4). Drawing on the insights of economic analyses into the relationship between

individuals who sign a contract in which one party hires another to perform a function on its behalf, the approach analyses the tension between the gains that can be made by states' delegation of authority to, and the imperfect mechanisms through which they attempt to maintain control of, an IO (Pollack 2003: 134-136, Bauer 2002: 382). The issue of how states are able to set goals for, monitor, and control an IO – that is, how states maintain the accountability of IOs – is key to the PA approach.

When addressing the issue of 'why delegate?', PA theory begins with the simple observation that all forms of delegation are predicated on the assumption that gains can be made through a division of labour and specialisation. In the realm of inter-state relations a number of additional gains are identified that might induce states to delegate to an IO, including aiding collective decision-making amongst member states, resolving disputes, and locking-in policies. The larger the potential gains in these areas, the more likely it is that states will delegate authority to an IO (Lake 2006, 342-44).

In relation to the latter of the two guiding questions of PA investigations noted above, a great deal of attention is paid to the mechanisms of control that are available to states. Generally, providing an IO is producing policies that are broadly consistent with principals' preferences, states will leave the IO to act on its own: however, when intervention is deemed to be necessary, a range of mechanisms are available to states (Nielson & Tierney 2003: 245). Following a rationalist approach, states are said to use mechanisms of control that attempt to structure the incentives of agents in such a way that it is in the interests of agents to carry out the interests of principals faithfully. Mechanisms of control include the balance between rules and discretion in the founding contract of the IO, screening and selection procedures of the IO to which a task is delegated (especially the selection of management and staff), institutional

checks and balances within the IO, monitoring and reporting requirements, and sanctions (Hawkins et al 2006: 26-31). An important additional mechanism of securing IO compliance relates to the control by principals of IOs' financial arrangements. In their relationships with the World Bank and IMF, for instance, principals' deliberate under-funding so that they can employ supplementary finance as a bargaining tool, and their increasing use of trust funds, have been highlighted as mechanisms of increasing their leverage over the Bank and Fund (Clegg 2010b, Broome 2008: 126, Gould 2006, Weaver 2007: 500).

In order to effectively utilise the tools of compliance at their disposal, though, states must be able to monitor the output of their agent-IOs. The task of monitoring is often highly challenging, and it is especially difficult to assess the impact of IOs on complex global issues. However, the more readily observable an issue is, the greater scope there is for control of the agent (Lane 2007: 616 Nielson et al 2006: 111-12, Nosal 2006: 1093, Worsham and Gatrell 2005: 366, Kasim and Menon 2003: 124). As a recent IMF internal evaluation of reform efforts noted, change had been most effectively implemented when principals have clearly articulated the outcomes that they wished to see, and set up quantifiable targets with which to monitor them (IMF IEO 2007: 6).

Expressed in terms of shareholder accountability, then, the PA approach usefully directs attention toward the ability of states to use compliance mechanisms to ensure that IOs remain 'on task' with their goals. However, the approach suffers from a major lacuna, which needs to be addressed in order for a fuller appreciation of the politics of shareholder accountability to be gained. Whereas the PA approach takes exogenously given state interests as the starting point of analysis, in order for an understanding of the full complexities of the politics of accountability to be

appreciated, it is necessary to compliment the insights of the PA model with those of the constructivist approach to the analysis of IOs.

In a marked contrast to the PA model, the constructivist approach attempts to go beyond an examination of the conditions that allow for or impede IO autonomy, instead examining the means through which IOs are able to manufacture autonomy and deploy power in the international arena (Weaver 2007: 497). Broadly, two linked but separable aspects of the constructivist approach to IOs can be distinguished, both of which have important implications in terms of the politics of shareholder accountability. The first of these aspects is an emphasis on the capacity of IOs, by using their position of authority, to frame the way in which an issue is perceived by the relevant community of policy-makers, and the second is the view of IOs as containing strong bureaucratic cultures that inform how external demands will be interpreted.

Regarding the former aspect, for constructivists IOs are thought to be powerful ‘not so much because they possess material or informational resources but, more fundamentally, because of their authority to orient action and create social reality’ (Barnett and Finnemore 2004: 6). Through a process of classification, fixing of meaning and diffusion of norms, IOs are able to not only solve the problems and pursue the collective interests that were encoded by states in their founding principles, but also to help define and re-define these problems and collective interests. According to constructivists, the dissemination of international norms within a social environment shape state behaviour by framing the way in which policy-makers view an issue (Alderson 2001: 421, Johnston 2001: 488, Immergut 1998: 14-19).

The second aspect of IO power as seen by the constructivist approach is the tendency to filter and interpret external stimuli through a strong bureaucratic culture.

The bureaucratic culture, the rules and procedures that are consciously or sub-consciously shared by IO staff, are argued to pervasively influence bureaucrats' views of the world and to inform their views of appropriate action. Bureaucratic culture is said to make change within IOs highly path dependent, as staff are more receptive to new goals that can be easily accommodated within their existing worldview. If a new goal can be seen to cohere with the organisation's existing knowledge about how to realise its mission, staff are likely to attempt to actively implement it (Barnett and Finnemore 2004: 64). It has been suggested, for example, that the technocratic, rules-based self-image of IMF staff, and their near homogeneous macro-economic educational background, has meant that changes in staff practices have occurred when they can be shown, according to acceptable econometric standards, to contribute to the overall goal of advancing monetary stability and economic growth (Barnett and Finnemore 2004: 68-9). In contrast, the more heterogeneous educational background of Bank staff, and their immersion in the more 'messy' world of developmental economics, are said to have made the organisation more flexible and accommodating of a range of supplementary goals (Vetterlein 2006: 125).¹¹

In terms of advancing our understanding of the politics of shareholder accountability, the value of the constructivist approach is in showing the important role played by IOs in fixing the meaning of loosely defined concepts, and in diffusing norms that impact on the socialisation of states. There is a complex interplay between state and IO in an accountability relationship, with IOs contributing to the elaboration of the social environment that informs states' demands, and responding to states' demands for more effective performance. A comprehensive framework for analysing the politics of accountability must integrate the influence of intersubjective contexts

¹¹ The important influence of 'bureaucratic culture' on the adaptability of the World Bank and IMF was brought up on a number of occasions, unprompted, during interviews with both Bank and Fund staff. The interpretations put forward cohere with the accounts referred to above.

in determining shareholders demands and understandings of an issue, and the agency of creditor states in setting an agenda for change to which they attempt to compel IOs to comply with. The morphogenic model, around which such a holistic analysis can be structured, is outlined below: first, the contributions of the rationalist and constructivist approaches to the study of stakeholder accountability are introduced.

In contrast to the concept of shareholder accountability – a relationship between creditors and IOs whose legitimacy is generally taken for granted, and is both embedded in the governance structures of IOs and is the subject of a well developed strain of academic writing – stakeholder accountability is a less well established idea in mainstream analyses of IOs. By integrating aspects of the rationalist and constructivist models of IOs, it becomes possible to strengthen our understanding of the processes through which changes in these practices occur. Although the conceptual tools with which to interrogate this relationship draw more heavily on the constructivist side of the framework, the morphogenic framework can be drawn upon to advance a comprehensive understanding of the politics of stakeholder accountability.

The primary value of the rationalist approach to the analysis the politics of stakeholder accountability in IOs lies in its outlining of the dynamics that are missing in this area of IO operations. The core focus of principal-agent analyses is on the use by powerful states of incentive structures to alter the decision-making environment of IO agents; to alter behaviour through the manipulation of staff calculations of ‘logics of consequence’. As the evolution of stakeholder accountability practices have generally occurred at a level below the ‘high politics’ of state-IO interactions, such pressures have been of limited significance. In relation to the politics of stakeholder accountability, the contests at the level of ideas have provided the main dynamics.

These contests have typically involved both internal actors within IOs and less materially powerful external actors, and have been centred on attempts to reform the dominant ‘logics of appropriateness’ amongst staff of international organisations. Because external actors have not attempted to deploy significant material resources to ‘tempt’ IOs into altering the mechanisms through which they engage with stakeholder groups, reforms instead occur through incremental changes to the understanding within the bureaucratic culture of the IO.

A key insight from the constructivist approach into the politics of stakeholder accountability relates to the conceptualisation of accountability as a socially sanctioned relationship. The importance of this insight derives from the existence of a range of stakeholder accountability mechanisms in the world of IOs, and the tendency over time for the understanding of what constitutes appropriate practice in this area to evolve (Ezzamel et al 2007, Moravcsik 2002, Shearer 2002). In the early post-war period, when many of the core institutions of global governance were brought into being, there was an implicit acceptance within their social environment of the appropriateness of a delegated model of stakeholder accountability. Within the delegated structure, the mechanisms of engagement between in-country stakeholders and IOs themselves ran exclusively through state-level representatives (Grant and Keohane 2005). However, with the emergence of a ‘liberal aid agenda’ in the post-Cold War era, significant normative pressure has been placed on IOs by member states to improve the channels through which they interact with stakeholders (Nelson 2001: 1843, Nelson 2000: 413). Additional pressure to reform has also come from increasingly effective NGO campaigns, which have commonly sought to ‘shame’ IOs into altering their operational procedures (Fox and Brown 2000: 500-5, Keck 2000: 181, Wirth 2000: 52-3, Keck and Sikkink 1998: 135-40), and from the need for high

profile IOs to respond to a declining acceptance of their claims to ‘expert’ authority with a bolstering of their ‘democratic’ legitimacy (Lazarus 2008: 1216, Seabrooke 2007: 250). Within this broad shift in the *zeitgeist* surrounding the practices of IOs, the constructivist approach provides the analytic tools with which to gain an understanding of the dynamics affecting individual institutions.

The extent to which an IO will alter its behaviour in response to demands from external agents that reforms be made to the mechanisms through which they interact with in-country stakeholder groups depends crucially on the bureaucratic culture of the institution. The degree to which such demands can be comprehended by staff as being complementary to the primary aims of the IO, or at a minimum as not actively detrimental to these aims, is a crucial determinant of their likelihood of realisation (Weaver 2008: 5-6, Barnett and Finnemore 2004: 43-4). Although the way in which in an IO ‘sees’ its environment tends to alter in an incremental fashion, and to change only in response to explanations that are expressed in terms that meet internally accepted standards of proof (Janis 1982: 174, O’Brien et al 2003: 189-96), there are a number of factors that influence the level of cultural malleability. Key amongst these factors are the personnel practices of IOs (O’Brien et al 2003: 90-1), the depth to which an IO works within a specialised ‘language of expertise’ (Konioka and Woller 1999: 309-10, Barnett and Finnemore 2004: 50, Adler and Bernstein 2005: 304), and the formal organisational structure of an IO (Page 2004: 592). Such characteristics of IOs affect the degree to which internal and external alliances in favour of operational change are able to coalesce.

Although the rationalist and constructivist approaches take-up differing proportions of the analytical strain in the investigation of the politics of shareholder and stakeholder accountability in IOs, there is value to be gained by integrating the

insights of both around a common framework. By doing so, it becomes possible to coherently examine the dynamics driving developments in the two spheres of operation. In isolation, both approaches fail to adequately situate the interdependent role played by agents and ideational structures in the process of change in IOs. The rationalist concentration on the role of agency in the restructuring of incentive-based games systematically underplays the more subtle power-relationships that are bound-up within the production and re-production of ideational structures. Conversely the constructivist tendency to foreground the role played by ideational structures serves to cloud the process through which agential behaviour reshapes these structures. In order to address these conceptual weaknesses, I frame the insights of the rationalist and constructivist around a morphogenic approach to social change.

The central contribution of a morphogenic approach is that it provides an analytic framework around which to integrate structure and agency in the process of change in IOs (Adler 1997: 330, Carlsnaes 1992, Archer 1985). With its conceptualisation of the relationship between social structures and agents as co-determinant, the morphogenic framework allows us to view social change as ‘endless cycles of structural conditioning/social interaction/structural elaboration’ (Archer 1985: 61), which integrates structure and agency rather than privileging one or the other. To give an illustrative example, although the PA approach can be employed to convincingly examine the important role of states in pressing the IMF to cut back the number of conditions attached to loans (Gould 2004), an examination of the social environment that informed states’ understanding of excess conditionality as a problem in need of remedial action would provide a more comprehensive account of the process of change in this policy area. Hence, with the morphogenic approach, the PA

approach's placing of causal primacy with exogenously given state preferences can be combined with the focus on intersubjective structures of the constructivist approach.

In addition, the morphogenic approach provides the means with which to integrate a diachronic element into the analysis of the connections between the 'high-level' interactions between creditor states and IOs and the 'low-level' interactions between less materially powerful actors and IOs. When looking at policy outcomes using the morphogenic approach, one can see that:

Policy actions become intertwined with their multifarious structural consequences, and together conjoin in constituting the future dispositions of actors and hence also their intentions and subsequent actions (Carlsnaes 1992: 261).

When applied to the politics of shareholder accountability, the morphogenic approach provides a framework for analysing the complex, multilevel feedback process through which major shareholders compete to restructure the central mission of IOs, and through which a range of actors interact in the process of re-forming the mechanisms through which IOs interact with in-country stakeholder groups.

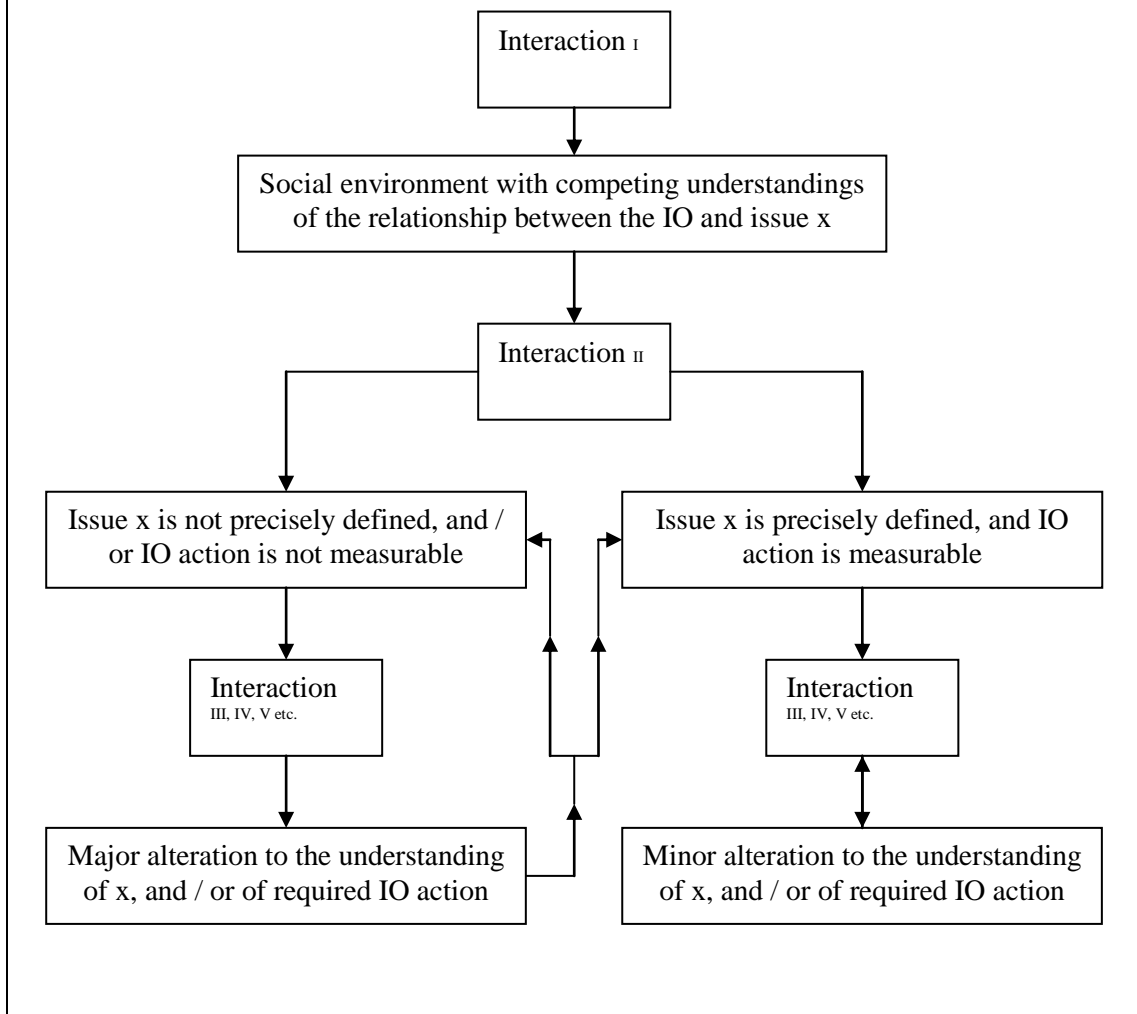
In relation to the politics of shareholder accountability, the morphogenic model allows us to conceptualise the relationship between major creditors and IOs as unfolding through a series of interlinked stages. This process is presented schematically in Figure 1.1.¹² The most important moment in determining the tasks for which an IO will be held accountable is at the setting of its articles of agreement (Interaction I). It was, for instance, at the United Nations Monetary and Finance Conference at Bretton Woods in 1944 that the core objectives of the World Bank and IMF were outlined, with the Bank primarily providing finance for reconstruction and development and the Fund overseeing international monetary stability to foster the

¹² 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).

prospects for economic growth. However, over time the mandates of IOs exhibit a level of flexibility, and indeed a degree of freedom to explore competing means through which to meet their overall goals is inherent in the authority that is delegated to them. These internal processes, which occur alongside critiques by external actors, generate competing understandings of the IO's role within its social environment. This intersubjective context informs the following attempts by shareholders to pin-down a framework outlining what constitutes appropriate behaviour from the IO (Interaction II).

At this secondary stage, two factors influence the extent to which shareholders are able to construct an effectively functioning accountability relationship; the degree of intra-shareholder consensus on the appropriate goals of the IO, and the tractability of the desired outputs from the IO. Under the influence of these factors, there is an important bifurcation in the morphogenic cycle. Where the interaction of shareholders and IOs produces a precise definition of an issue, and the action required by the IOs to address this issue is measurable, the cycle progresses along a path over which creditors are able to exert a significant degree of control. However, because of the difficulty of isolating the impact of IOs on complex global issues, the capacity of states to generate information regarding the activities of IOs (which is a necessary prerequisite of attempting to employ mechanisms of control) is often relatively limited. Additionally, intra- shareholder conflicts often also impede the ability of creditor states to create coherent systems with which to monitor and control IOs. Under such circumstances, an evolutionary path develops over which creditors have a reduced capacity to exert control. In such circumstances, the internal bureaucratic

Figure 1.1. Morphogenic model of the politics of shareholder accountability in IOs

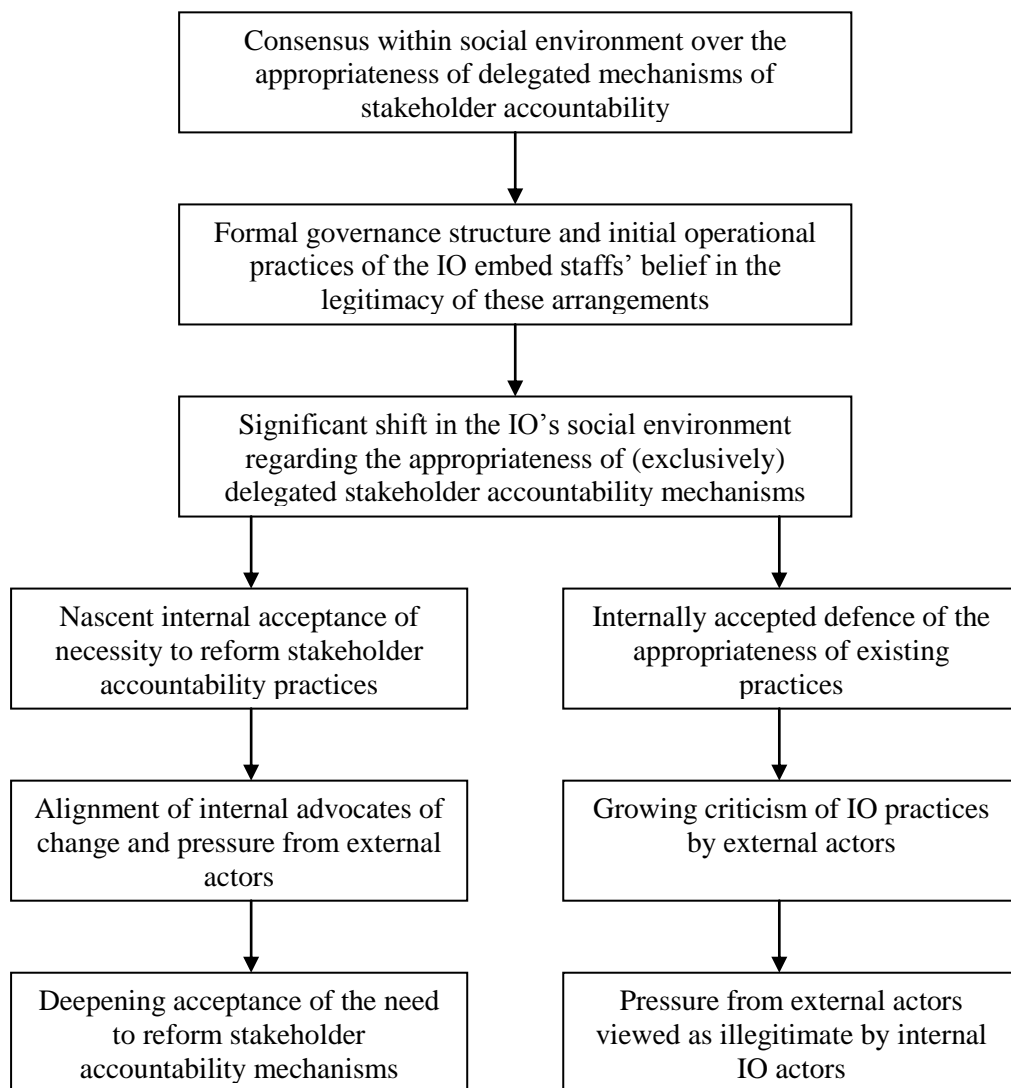


culture of the IOs, and the interactions between the IOs and less materially powerful actors, assume a greater importance in determining the process of change. As chapters two and three illustrate, the politics of shareholder accountability at the World Bank have been characterised by the former process, represented by the right-hand bifurcation; at the IMF, they have been characterised by the latter. In both cases, combining rationalist and constructivist models clearly adds value. The rationalist insight that reducing information asymmetries and creating incentive structures are core components of states' attempts to regulate the behaviour of IOs helps to clarify a

key mechanism through which ideational change occurs in IOs, an issue at the heart of constructivist analysis.

Turning to the politics of stakeholder accountability, the morphogenic approach can again be drawn upon in order to advance a conceptual framework that allows for a comprehensive analysis of the issue. Figure 1.2 provides an overview of

Figure 1.2. Morphogenic model of the politics of stakeholder accountability in IOs



this process. By viewing social structures and agential behaviour as co-determinant, it is possible to coherently integrate the role of a range of internal and external actors in

the evolving understanding of what constitutes appropriate mechanisms of engagement with in-country stakeholder groups. Because these processes have largely occurred ‘below the radar’ of materially powerful states, and relatively few attempts have been made to alter staff incentive structures within logic of consequence calculations, the primary site towards which pressure for reform have been applied have been the bureaucratic culture of IOs.

As was the case in relation to shareholder accountability, a defining moment that in important respects serves to set the boundaries of the form taken by the stakeholder-IO accountability relationship is the crafting of its Articles of Agreement. In the early post-war years, when several of the key institutions of global governance were founded, there was a general agreement amongst state actors regarding the appropriateness of exclusively delegated modes of stakeholder accountability. Consequently, the mandates and institutional structures that were set out for IOs established structures for state-actors to engage with IOs: these institutions remained largely sealed-off from direct interactions with domestic groups. Such structures helped to foster an internal culture in which little value was attached to soliciting the input of in-country groups into operational decisions, and growing levels of institutional expertise further closed-off the opportunities for such groups to access policy discussions.

In more recent years, partly under the influence of increasingly effective NGO campaigns, and partly under the influence state-actors’ shifted priorities in the post-Cold War environment, there has been a significant shift in views on the legitimacy of exclusively delegated mechanisms of stakeholder accountability. However, the internal characteristics of individual IOs determine the extent to which this altered intersubjective context is taken on board and transformed into altered operational

practices. In IOs with a relatively homogenous bureaucratic culture, when calls for reform to the mechanisms of stakeholder accountability are not justified in accordance with acceptable standards of evidence, institutional resistance to these changes results. Although developments can occur organically through processes of internal learning, these are typically aimed at improving the functioning of the existing modes of stakeholder accountability rather than at radical restructuring, and so do little to assuage the IO's external critics. Conversely, in IOs with a more heterogeneous culture, and with institutional characteristics that foster a greater degree of openness to externally generated ideas, there is potential for a less confrontational series of interactions to develop. With the existence of a group of internal advocates of reform, it is possible for alliances to be forged with external actors. Internal advocates play a key role in 'translating' the pressures to institute more direct channels of interaction with stakeholders into a language that coheres with the IO's dominant culture, thereby facilitating the process of gaining support from key internal actors. In such circumstances, something of a virtuous circle develops, and acceptance of the need to reform stakeholder accountability mechanisms begins to snowball.

As chapters four and five illustrate, the politics of stakeholder accountability at the IMF and World Bank are characterised interesting points of similarity and difference, with developments in both institutions reflecting aspects of both paths in Figure 1.2. From an initial position in which the state-centric delegated model of stakeholder accountability reigned supreme, the moves by the Bank to directly engage with in-country groups have significantly outstripped those of the Fund. Additionally, both IOs have recently begun to push low-income countries to improve their domestic accountability structures. Before the content of the chapters investigating the politics

of accountability at the World Bank and IMF are outlined more fully, consideration is first given to the key philosophical underpinnings of the research project as a whole.

1.4. Pragmatism and the Study of IOs

Whether explicitly acknowledged or not, research into any aspects of the social world is necessarily founded upon a series of linked epistemological and methodological assumptions. Although commonly glossed over, this truism applies equally to the study of international organisations. These underlying assumptions are of key importance in determining the questions that are addressed, and the means through which they are answered. The assumed relationship between simplifying theoretical frameworks and the ‘real world’ underpins the stance adopted in relation to these philosophical issues. By adopting a pragmatist position in preference to more extreme philosophical stances, it becomes possible to offer both an innovative reading of an interesting contemporary issue facing the World Bank and IMF, *and* to contribute to the ongoing project of ‘middle-range’ IO theory-building. Following a brief review of the polarised positions on the relationship between the theoretical and empirical realms, I outline the way forward offered by a pragmatist position. I conclude the section with some notes on the resources that are drawn upon in support of the findings of the research project overall.

At one end of the epistemological scale, a ‘naturalist’ approach to research posits an unproblematic relationship between facts and theory. In line with the approach classically laid out by Carl Hempel, the purpose of research is taken to be the development of general laws that are ‘capable of being confirmed or disconfirmed by suitable empirical findings’ (1942: 35). An admirably concise defence of this approach is offered by the authors of an influential US research handbook, *Designing*

Social Inquiry. According to King et al (1995: 475), the objective of all social science research is to develop and evaluate theory; to establish sound descriptive and causal inference. The criteria on which theories are tested are drawn from physicist Richard Feynman: 'If it [the theory] disagrees with the empirical evidence, it is wrong. In that simple statement is the key... That is all there is to it'.

For its supporters, this approach fosters a rigorous approach with which to increase our understanding of the social world through the repeated testing and refining of theoretical propositions against empirical data (Holsti 1989: 256). According to this stance, rival paradigms are comparable, as they can ultimately be assessed according to a common standard: that of correspondence to the real world (Neufeld 1996: 50). It is on such a view of the relationship between theory and evidence that the so-called 'neo-neo' debate in IPE was founded (Lamy 2001: 191). In the analysis of IOs within this debate, the major point of contention tended to revolve around the distribution of benefits from the regimes that IOs were at the centre of: were states interested in maximising relative gains to enhance their power in an anarchical system, or in realising absolute gains in an increasingly liberalised, co-operative order (Keohane 1986: 10-25)?

However, in a challenge to this epistemological position, works advocating greater theoretical reflexivity made a compelling case regarding the need for a deeper investigation of the philosophical foundations of research in IPE and on the analysis of IOs. Rather than accepting the empirical world to be a means with which to adjudicate between different theoretical positions, it was argued that the field of IPE was comprised of a number of incompatible, hermetically sealed paradigms. Rather than laying their founding principles open to examination, these sophisticated and internally coherent approaches are capable of adapting to such an extent that, even

when they are used to look to the same topic, they will systematically provide differing interpretations of the same phenomena. The creation of rival paradigms led at best to a *dialogue de sourds*, at worst to a retreat into intra-paradigm debate (Neufeld 1996: 56, Smith 1996: 20, McKinlay and Little 1986: 267). Depending on *a priori* theoretical assumptions, IOs could be seen as either venues in which states battled for supremacy and relative gains over rivals or co-operated in order to benefit from absolute gains, or in which (transnational) social classes compete for supremacy. In this impasse, different theoretical approaches become ‘incommensurable and therefore incomparable’: once the conceptualisation of the empirical realm as an ‘Archimedean point’ with which to judge theoretical positions is removed, a form of post-modernist relativity ensues (Neufeld 1996: 44, 54-57).

The ‘pragmatist’ approach stems from a frustration with the tendency for research within IPE to remain segmented with ‘research traditions’, and it aims to draw upon the insights from different theoretical traditions in order to investigate ‘real world’ puzzles (Sil and Katzenstein 2005: 3, Sil 2000: 353). By tempering the strength of the knowledge claims made, the pragmatist position is able to chart a middle course between the ‘naturalist’ and ‘post-modernist’ extremities. The aims of the approach are summed up well by Cochran:

Any ‘truths’ we might establish through a pragmatist science... cannot be associated with an absolute notion of ‘Truth’ in any nomological or foundationalist sense. To establish truth pragmatically is to settle a complex or controversial issue for the time being, until something comes along to dislodge the comfort and reassurance that has thereby been achieved (2002: 527).

The idea of ‘truth’ is at the centre of pragmatism. The approach rejects the modernist ‘God’s eye view’ of knowledge (Putnam 1981: 74), while at the same time opposing the extreme relativism of post-modernity. As Richard Bernstein (1992: 838) suggests

regarding pragmatist philosophy: ‘the creative task is to learn to live *with* an irreducible contingency and ambiguity – not to ignore it and not to wallow in it’.

Regarding the relationship between theory and fact, the pragmatist solution is to be aware that research necessarily takes place within a particular tradition that in part defines and structures one’s approach to a research problem, but also to be optimistic that in a research tradition progress is attainable. Johnson (2002: 226) offers the suggestion that:

We make progress insofar as we resolve conceptual as well as empirical problems. We make theoretical progress... to the extent that we specify more clearly the mechanisms at work in our theories or that we more successfully incorporate conceptual resources available from sources outside our own research tradition.

Although rarely explicitly acknowledged, many of the contemporary advances in the study of IOs that have been made have accorded with this spirit of pragmatism.

The most common approach taken in analyses of IOs is to draw upon models that offer competing interpretations of the dynamics of change in IOs, and to outline the concrete ways that the factors and mechanisms upheld by each approach are in evidence during an empirical course of events. A recurring conclusion has been that a range of empirical puzzles are best understood by combining the insights of a rationalist approach, which foregrounds the importance of the relationship between state-principals and IO-agents and particularly the mechanisms of control available to states, with the insights of the constructivist approach, which focuses on the means through which a range of actors contribute to the evolving understanding of policy issues and appropriate solutions within a social environment (Weaver 2007: 498, Weaver and Park 2007: 463, Gould 2006: 310, Nielson et al 2006: 110, Weaver 2005: 375, Jupille et al 2003, Lewis 2003: 97). The framework adopted by this investigation fits with the approach of these works, and by providing a coherent framework around

which to synthesise the insights of the two approaches makes an important conceptual contribution.

This research project is best characterised as an investigation into the social environment of the World Bank and IMF. In addition to the conceptual advances outlined above, the key contribution of the work lies in the information provided on the contemporary attempts by large creditor states to push for reforms in the goals of the IOs' engagements with low-income countries, and on the dynamics surrounding the ongoing reforms to the mechanisms through which the IOs interact with stakeholder groups within low-income countries. A range of sources are drawn upon in order to place the contemporary picture within its historical context, and the picture itself has been pieced together through an extensive analysis of IMF archival material, publicly available IMF and World Bank documents and databases, and interviews with Bank and Fund members of staff.¹³ The interviews with staff from the IOs provided invaluable insights not only into the 'behind the scenes' processes at the Bank and Fund, but also into how to 'read' the institutions. In accordance with the pragmatist tradition, the conceptual and empirical content of the thesis is presented as a staging post in the journey to enhance our understanding of the functioning of these IOs, rather than as a discrete end-point in itself.

1.5. Overview of Argument

The thesis focuses on developments that are occurring at the centre of the World Bank and IMF, providing an insight into the dynamics of reform within the headquarters of the two organisations. In the case of the IMF, an institution that remains highly

¹³ Interviews were carried out at the World Bank and IMF in November and December 2008, during which time I was a Visiting Research Scholar at American University. Thanks are owed to Tammi Gutner of AU, and to the thirty individuals at the Bank and Fund who generously gave their time, including several Executive Directors and many senior members of staff. A full list of interviewees and methodological notes can be found in Appendix I.

centralised and in which permanent representatives outside of Washington are situated well down the organisation's hierarchy, developments at the centre are of paramount importance. In the case of the World Bank, with its much more significant regional and in-country offices, this focus on developments at the centre adds an important piece to the overall jigsaw of our understanding of the international organisation. The dynamics at the centre exist in a symbiotic relationship with wider trends in the Bank, and their co-evolution continues to shape and re-shape the way in which the organisation approaches its developmental mandate. Although 'performance gaps' will, inevitably, continue to exist between the actions of widely dispersed operational staff and the guidance and policy goals presented from the centre, the detailed analysis of the dynamics at the centre of the organisation sheds valuable light on the efforts being made to control and reform the activities of this large and complex bureaucratic organisation.

A core aim of the investigation is to disaggregate the analysis of accountability in IOs into its constituent shareholder and stakeholder dimensions. As such, the following chapters of the case study fall neatly into two parts. Chapters two and three deal with shareholder accountability, and chapters four and five stakeholder accountability, at the World Bank and IMF respectively. The dual focus on the Bank and Fund lends a comparative element to the study, with noteworthy points of similarity and difference emerging from the analysis of reforms surrounding the concessional lending windows of the IOs. Finally, chapter six branches out to consider the 'ins and outs' of the politics of accountability, drawing out the lessons that can be transplanted from the investigation into literature on cosmopolitan global governance.

Chapter two reviews the progress made by major creditor states in ‘Closing IDA’s Accountability Gap’. 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 began to use IDA replenishment negotiations 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 increase their ability to pin-down the output of the IO, and has somewhat paradoxically also provided the IO with a means of more effectively legitimising its activities. This 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 external pressures can be seen 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.

The third chapter focuses on analogous developments in the politics of shareholder accountability 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, intra-shareholder disputes have hampered such moves at the Fund. The ‘minimalist’ shareholder grouping, led by the US, have over the past decade argued that the problems of low-income countries are often of a developmental rather than short-term balance of payments nature, and consequently have pushed the Fund to reduce the scope of its PRGF lending operations. In contrast

the ‘developmentalists’, led in particular by the UK and France, see balance of payments corrections and long-term development as indivisible issues, and so have pushed the Fund to improve the ‘fit’ between PRGF arrangements and a country’s long-term developmental needs. As a consequence, they have fought to maintain (and indeed increase) the resources available through the concessional lending window. The depth of the disagreements as to what constitutes a legitimate ‘balance of payments crisis’ for low-income countries between these groups means that, for the foreseeable future, such disputes will continue.

Turning to the issue of stakeholder accountability, chapter four reviews the dynamics surrounding reforms in this area at the World Bank. From an initial position in which stakeholder accountability was practiced exclusively through state-based, delegated mechanisms, a culture developed in which little value was attached to gaining the input of domestic groups into operational processes. Through the 1970s, with the burgeoning heterogenisation of staffs’ professional background, a more ‘stakeholder friendly’ sub-culture began to develop. Accompanying this shift, and under heavy external pressure, operational changes were made to allow stakeholders to have access to a more direct relationship with staff through the Bank’s project lending. This trend has been developing since the late 1980s, and in the Bank’s contemporary operations significant resources are available to staff to enhance their engagements with key stakeholders during the design, implementation, and evaluation stages of a project cycle. Although the pressures of the so-called ‘disbursement imperative’ remains an important limitation on staffs’ willingness to undertake such activities, personnel in key management positions within the Bank are beginning to push through changes to the way in which staff performance is monitored. Moreover, important changes are also underway in the Bank’s policy-based lending. With the

publication of the *Governance Matters* report in 1999, the World Bank signalled its desire to use its lending to reform the relationship between the state and domestic populations in low-income countries. The Poverty Reduction and Economic Management Network within the Bank is now at the forefront of efforts to put the improvement of domestic accountability mechanisms at the centre of lending activities, and has significant financial and personnel resources at its disposal with which to enhance its activities as an internal ‘norm entrepreneur’. As such, over the past decade, there has been something of a ‘Reconstruction of Stakeholder Accountability’ at the World Bank.

Chapter five reveals the different dynamics surrounding stakeholder accountability at the IMF. Throughout the majority 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 accountability and stakeholder engagement that are now routinely directed toward 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 accountability, 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 with 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 ‘underoperationalisation’ of its participatory turn.

The concluding section draws together the insights gained into the politics of accountability at the World Bank and IMF through the previous chapters, and links these into wider debates on the prospects for cosmopolitan global governance. The broad lesson of this collapsing-out of the research project is clear: there is significant room for mutual gain from the bringing-together of the literatures examining the ‘is’ and the ‘ought’ of international organisations. By joining up the dots between the politics of accountability and projects advocating cosmopolitan global governance, it becomes possible to examine the nature of the footprint of the activities of IOs on the ‘construction of governance space’ in low-income countries. The chapter – and the thesis – closes by proposing a research agenda through which this question can be comprehensively addressed.

Chapter Two – Closing IDA’s Accountability Gap

2.0. Introduction

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 (Paul Wolfowitz 2005).

I call on all multilateral development banks... to tie support more directly to clear and measurable results (George W. 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 focussed 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 its developmental mandate that the politics of shareholder accountability in what eventually became known as the World Bank are at their most visible.

The politics of shareholder accountability at the World Bank consists of a nexus of often subtle power relationships through which the IO and its key creditors act to redefine the Bank’s primary mission and ensure that this mission is effectively

fulfilled. In line with the model outlined in the previous chapter, in order to gain a full understanding of the politics of shareholder accountability, it is necessary to analytically incorporate a concern with both means through which IOs are able to shape understandings of policy problems, *and* 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 toward generating a quantifiable impact on poverty levels. 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 that has been driven by the pressures of shareholder accountability is in fact a deeply political act, which is contributing to the embedding of a particular conceptualisation of poverty. Interestingly, this process is impacting on the institutional dynamics of the Bank, as internal advocates of a broad-based approach to poverty reduction are drawing on the pressures released by the results agenda to advance their favoured understanding at the expense of the more narrowly economic vision of their competitors.

The chapter proceeds according to the following structure. The opening section introduces the conceptual framework that allows for a comprehensive understanding of the politics of shareholder accountability at the Bank to be

presented. In line with the general approach outlined in chapter one, the framework synthesises elements of PA and constructivist analyses of IOs in order to holistically view the mechanisms at work in the push to quantify the poverty reduction impact of IDA lending. In the second section I review the major events in the evolution of the IDA. This serves to both contextualise the contemporary dynamics, and also shows that attempts to define and redefine the primary goal of IDA lending have long permeated the relationship between the Bank and its key creditors. In the third section, I present the evidence of the evolving positive feedback cycle between the Bank and its major creditors. Following a period of crisis through the late 1980s, the Bank's major creditors moved to institute a regime with which to better monitor the Bank according to its contribution to global poverty reduction, which became increasingly focussed around the Millennium Development Goals (MDGs). Concurrently, the Bank also moved to reshape understandings of its appropriate goals by increasingly legitimising its activities in terms of their impact on global poverty. Through the fourth section, the efforts by the Bank to 'fill the world with poverty indicators', and to increase the PRSP countries' capacity to track a range of poverty indicators, are examined. These efforts include most recently the launch of Africa Results Monitoring System (ARMS), and have as a whole formed a central component of shareholders' monitoring- and the Bank's legitimation-mechanisms. 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 the chapter reviews the insights gained from the analysis of the politics of shareholder accountability in the World Bank, and introduces the themes

that are returned to when the politics of accountability are placed within broader debates on cosmopolitan global governance in chapter six.

2.1. Measuring IO performance – whose standard is it anyway?

As was noted in chapter one, two distinct approaches to the analysis of change in IOs are commonly identified, centred on the PA and constructivist models. In order to fully grasp the politics of shareholder accountability at the World Bank, it is necessary to incorporate the insights of both models. Based on rationalist assumptions, the former investigates the means through which state-principals are able to alter the incentives of IO-agents in order to ensure they remain ‘on task’, whereas the latter typically concentrates on the more subtle means through which IOs are able to shape understandings of policy problems and appropriate solutions. As the mechanisms upheld by each approach are visible in the politics of shareholder accountability at the World Bank, there is a pressing need to better combine their respective insights. By adopting an analytic framework with an explicitly diachronic focus that opens up to analysis the process through which states’ demands on IOs are formed, the PA and constructivist models can be successfully synthesised. This improves our understanding of the process of change in IOs, and allows us to clearly see the positive feedback cycle surrounding the evolution of the Bank’s ongoing results agenda. Such a framework allows us to see that for state-principals, quantification can increase the capacity to monitor and control the output of IOs, while for IO-agents quantification provides a resource with which to effectively legitimise their activities. By specifying more clearly the mechanisms at work in the evolution of its results agenda, this conceptual innovation provides an important contribution to the study of the World Bank.

The central foci of work within the PA tradition are the mechanisms employed by major states in order to effectively keep IOs in line with their goals, and so to minimise ‘agency losses’. A range of tools including the crafting of the founding mandate of the IO, screening and selection procedures of IO staff, and control over promotions within the organisation, are said to be used to this end (Hawkins et al. 2006: 26-31). An important additional mechanism of securing IO compliance – one of particular significance to financial institutions such as the World Bank – is the control by state-principals of the IO’s financial arrangements: a number of studies have shown that the controllers of finance have significant leverage over IO actions (Broome 2008: 126, Weaver 2007: 500, Gould 2006b). However, in order for states to be able to utilise the tools of compliance at their disposal effectively, they must first overcome the problem of ‘information asymmetries’ (Lane 2007: 616, Nosal 2006: 1093, Nielson et al 2006: 111-12, Worsham and Gatrell 2005: 366, Kasim and Menon 2003: 124).

The problem of asymmetric information relates to the difficulty encountered by a principal when attempting to track the activities of its agent. There are weaknesses associated with each of the mechanisms by which states monitor even the relatively simple outputs of IOs (Lake and McCubbins 2006: 347-9), but when attempts are made to evaluate the overall effectiveness of the IO’s impact on complex global issues, major uncertainties arise. According to Hawkins et al. (2006: 24), ‘it is this inability to distinguish the causes of policy success and failure that prohibits, in part, the principal from writing an optimal contract to control the agent’. However, the more readily observable and measurable an IO’s ‘progress’ toward a stated goal is, the greater scope there is for control of the agent. As I demonstrate below, creditors’ push for the implementation of a ‘results agenda’ at the Bank can be read as an attempt to

reduce information asymmetries and allow for better monitoring of the IO. As the following empirical sections show, the PA approach usefully directs attention to the role of powerful states in setting the agenda of change in IOs, and in highlighting the desire of states to gain traction over errant-IOs through the quantification of IO output. However, for a full understanding of the ‘results agenda’ to be gained the question of the socialisation of states must be addressed, which calls for us to examine the subtle form of power deployed by IOs in their relationship with their creditor states.

In terms of advancing our understanding of the politics of shareholder accountability, the value of the constructivist approach is in showing the important role played by IOs in fixing the meaning of loosely defined concepts, and in diffusing norms that impact on the socialisation of states. IOs use their position of authority to frame the way in which an issue is perceived by a relevant community of policy-makers (Barnett and Finnemore 2004: 6, Immergut 1998: 14-19). This is an important resource because of the pressure on IOs to demonstrate policy success in order to enhance operational autonomy and budgetary stability. As I demonstrate through the current case study, when IOs are successful in using their position of authority to influence creditor states’ understandings of their appropriate role and of the standards with which to judge performance, a positive feedback cycle can develop whereby states’ demands closely cohere with the ‘natural’ tendencies of the IO. However, IOs are rarely homogeneous beasts. In the case of the Bank, although there is broad acceptance that ‘poverty reduction’ is at the centre of its mission, there is a heated contests over the understanding of the term.

For constructivists, the authority of an IO is constituted by the shared understanding in a policy community that it serves some valuable social purpose.

Claims of expert and moral authority are two of the central components of IO authority: expert authority comes from the acceptance that IOs hold specialised knowledge about the important social task with which they have been charged, while 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 (Barnett and Finnemore 2004: 22-7). According to the constructivist approach, IOs are able to use these sources of authority in order to deploy power in a subtle but effective manner. Through a process of classification, fixing of meaning and diffusion of norms, IOs are able not only to solve the problems and pursue the collective interests that were encoded by states in their founding principles, but also to help define and re-define these problems and collective interests (Barnett and Finnemore 2004: 51-6, Bauer 2002: 387). The dissemination of international norms within its social environment can in this way subtly shape state behaviour (Alderson 2001: 421, Johnson 2001: 488, Immergut 1998: 14-19).

In close connection with the authority of IOs to frame the way in which a policy community perceives issues is the use by IOs of specialist knowledge to legitimise its actions. By presenting evidence of success that is consistent with its framing of a policy issue, IOs are able to justify their approach to their audience. This legitimating function of knowledge is of importance during periods of uncertainty for IOs, in particular when criticism is encountered from an increasingly hostile environment. Evidence of IO policy success is at its most credible when presented in an unambiguous, 'scientific' form (Boswell 2008: 472-3, Bauer 2002: 387). By enhancing an IO's legitimacy and authority to frame policy issues, 'hard' evidence of policy success is a critical resource. However, the process of redefining the yardstick with which to measure IO success is rarely uncontested. Although the initial

restatement by the Bank of the centrality of poverty reduction to its mission was uncontroversial, 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, with roots in the time of McNamara (Ellerman 2006, Ascher 1983). The push toward a more multi-dimensional approach has assisted the efforts of an innovative group within the Bank to highlight the common ground between the two approaches. The improved analytical techniques of the Poverty Reduction Group, assisted by more readily available data, is laying the groundwork for deeper changes in the way the Bank sees poverty, although such changes will take place over the longer term.

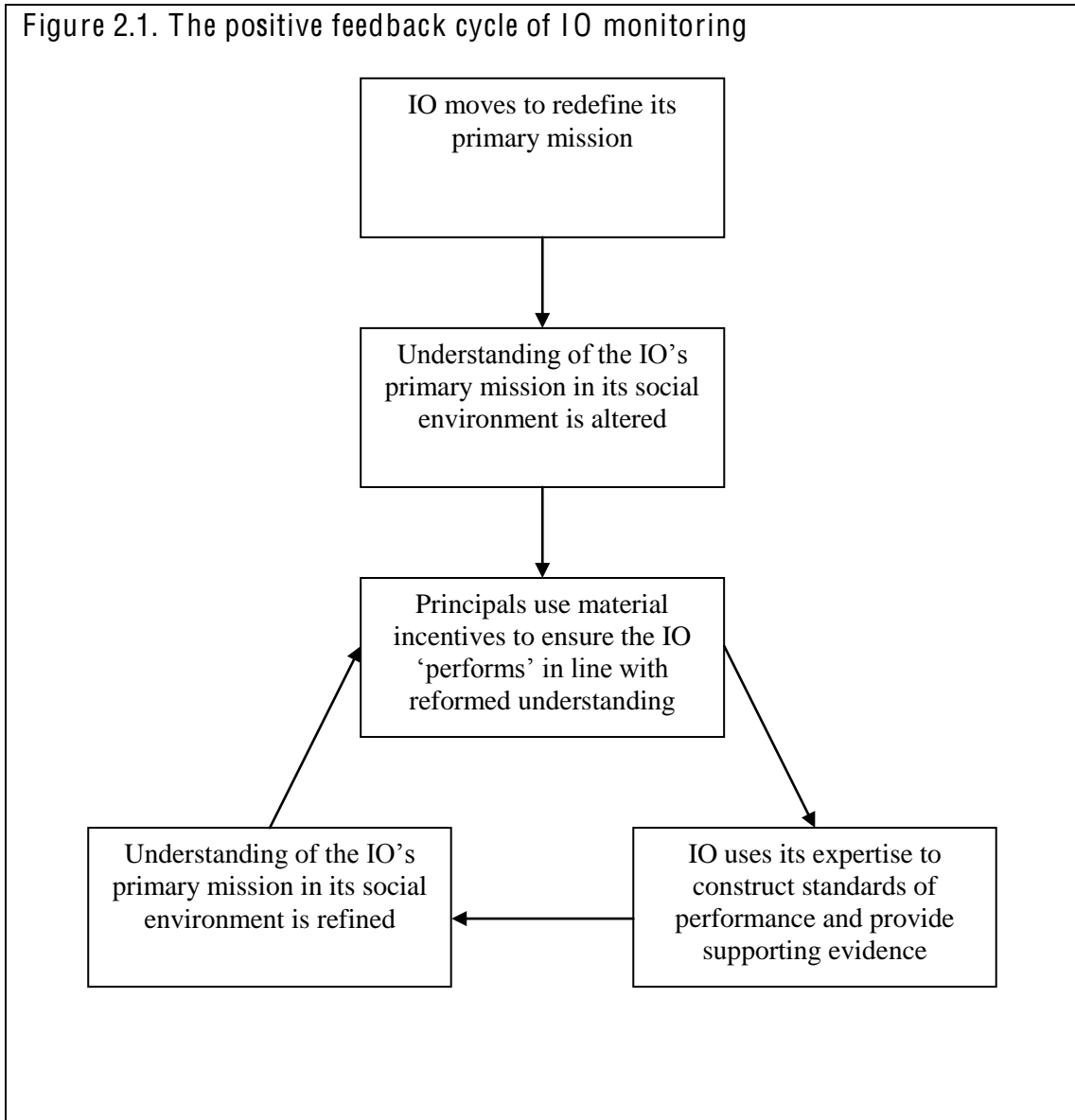
Far from being a ‘closed’ relationship between the IO and shareholder stakes, the process through which the key principals’ understanding of the IO’s appropriate role is set involves a range of actors, including other state- and IO-representatives. For instance, the United Nations Development Programme (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.

Recent innovative analyses of IOs have adopted the position that our understanding of IOs can best be furthered by viewing the PA and constructivist approaches as complementary (Weaver and Park 2007, Nielsen et al. 2006, Jupille et al. 2003, Pollack 2003, Haas and Haas 2002). The evidence within this chapter regarding the dynamics surrounding the Bank's results agenda and ARMS underlines the need for such a combination, as mechanisms upheld by both approaches are clearly in evidence within this case study. By adopting an analytic framework that coherently incorporates a diachronic element, we are able to clearly see the interactions between state and IO in shaping the standards according to which an IO is assessed. Figure 2.1 provides a schematic presentation of this process.

As the following sections show, poverty reduction was established as a concern of IDA lending relatively early in its history, during the presidency of Robert McNamara. 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 the US understanding of its appropriate role, the Bank was able to exercise a subtle control over following developments, whereby its major creditor 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,

Figure 2.1. The positive feedback cycle of IO monitoring



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. The analytic framework above allows us to gain a comprehensive understanding of this process.

2.2. A brief history of the International Development Association

When formed in 1960, the International Development Association represented a major turning point in the World Bank. The IDA both provided creditor states with a

new route through which to employ financial bargaining to push for changes in what had very rapidly become a remarkably independent institution, and provided the Bank with a new lending window through which to engage with a group of previously ‘uncreditworthy’ states. From the outset, the Bank was successful in using the language of expertise in order to expand the range of lending products with which to meet the IDA’s broad developmental goals. The shift from lending for revenue generating projects toward lending for activities in the ‘social sector’, as is outlined in this section, 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.¹ The early years of its operation were a time of the Bank ‘finding its feet’, during which it moved to clarify its relationships both with member states and with the capital markets that became a vital source of funding. Interestingly, the initial concern of creditor states that controls be put in place to strictly limit the IBRD’s activities in an effort to forestall financial looseness had by the time of the creation of IDA in 1960 significantly shifted. The contests between creditor states and the Bank over its mission provide an informative backdrop against which to analyse the contemporary dynamics of shareholder accountability in 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

¹ Over the years, the IBRD was joined by the International Development Association (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.

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 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. Executive Directors were to be selected to either individually represent the member states with a large financial commitment to the Bank, or to collectively represent groupings of states with lower financial commitments (Weaver 2008: 8, Vetterlein 2006: 125-27, Mason and Asher 1973: 72-94). The story of the early years of the Bank, though, 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,² the early years of the Bank's operations were dominated by a generally cautious and financially sound 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 increase their ability to

² 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.

keep a reign on the Bank's activities, became something of a 'golden straightjacket'.³ Care was taken to ensure that projects for which the Bank provided financing had a clear potential to generate repayment revenues, and within the Bank the Central Projects Staff were highly effective in maintaining standards. In an ironic twist, in order to further maintain credibility and cushion the Bank from 'political' interference regarding loan decisions, in 1947 the second Bank President 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 its view that supported projects should make an identifiable contribution to economic development, and so facilitate governments' ability to make repayments, power and transportation projects came to dominate the Bank's portfolio (Woods 2006: 15-38, Kapur et al 1997: 12, 85-87, Mason and Ascher 1973: 105-6).

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 International Development Association, 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). Regarding the pressures whose convergence fermented IDA's creation, internally, although the 'business model' for the IBRD 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 Bank was running out of

³ 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.

opportunities to serve a large number of developing countries that had either exhausted or not yet sufficiently demonstrated their creditworthiness. Externally, in the light of the Cold War, the Bank's major creditors viewed providing assistance to many such countries as being a vital pillar of security policy, and 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, Mason and Asher 1973: 380-82). IDA was designed as an adjunct to the IBRD, to allow for the needs of less well developed countries to be catered for. 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.

In terms of access to IDA lending, although the specific criteria for funding allocation is still the subject of debate amongst creditors, the institution rapidly began to focus its activities on low-income countries. Regarding its funding, concerns over the potential for the IDA to 'taint' the reputation of the IBRD in the capital markets led to the two branches' resource pools being clearly separated. Although a channel was established whereby IBRD profits could be funnelled into IDA operations, a core component of IDA resources came directly from member state subscriptions (Kapur et al 1997: 184). By providing creditor states with a direct source of leverage over the Bank, this decision had a huge impact in terms of the politics of shareholder accountability at the Bank, one whose dynamics continue to reverberate. As the IDA's funding pool would continually be drawn down by provision of loans to low-income countries at subsidised rates, the Bank was forced at regular intervals to turn to creditors for additional funds. Over time a pattern emerged whereby 'replenishment

negotiations' would be concluded in a triennial cycle, with creditors using the opportunity to load demands onto IDA operations.

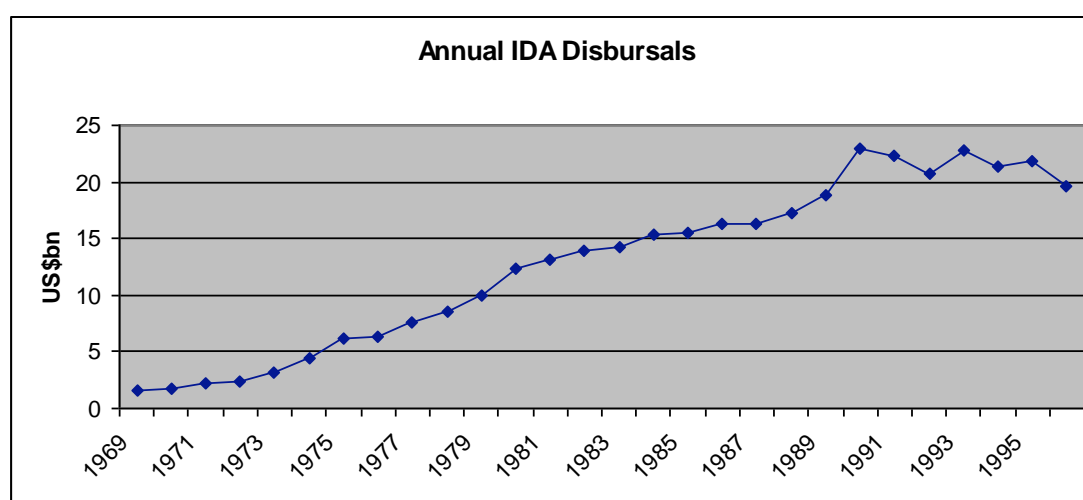
At the time of its establishment, a tough battle was fought between Bank management and major creditors over the types of activities that were to be supported by IDA lending. Management held that IDA operations should not differ in kind from those of the IBRD, and should be directed toward projects with 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.⁴ 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. As it happens, change in the organisational culture of the Bank in the early years of the IDA's operation led to a convergence of management and creditors' views and a shift toward social lending by the institution, as Bank staff became increasingly adept at framing justifications for a wide range of projects in terms of their economic impact.

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 establish economic 'rates of return', which thereby increased

⁴ 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).

the credibility of what had previously been labelled social sector lending. With the added confidence in the viability of such projects, IDA operations broadened to cover education and agricultural projects (Neu 2006: 645, Kapur et al 1997: 212-13). It was, however, under the presidency of Robert McNamara (1968-81) that the major changes in scale and scope of IDA lending took place.

Figure 2.2. Growth in IDA lending, 1969-'96⁵



Source: OECD Development Assistance Committee database: <http://www.oecd.org/dataoecd/50/17/5037721.htm>

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 disbursements, this represented a thirteen-fold increase. Although the lending surge under McNamara was dramatic, equally worthy of note was the creation of a qualitatively new form of Bank lending during the closing years of his presidency: structural adjustment lending (SAL). SAL emerged as a consequence of a growing frustration within the Bank, whereby it was perceived that poor economic management at the national level was limiting the effectiveness of supported projects. It was in 1979, at a session of the United Nations

⁵ Figures 2.2 and 2.3 are expressed in real terms using 2007 prices.

Conference on Trade and Development, that McNamara made his first call for the shift into ‘programme’ lending:

In order to benefit fully from an improved trade environment the developing countries will need to carry out structural adjustments favouring their export sectors... I am prepared to recommend to the Executive Directors that the World Bank consider requests for assistance, and that it make available programme lending in appropriate cases (quoted in Kapur et al 1997: 507).

Initially conceived as a lending tool for middle-income countries, during the mid- to late-1980s low-income countries became the main recipients of SAL. This was the case partly because middle income countries could afford to be somewhat ‘choosier’ and so eschew the exacting reform requirements, and partly because of the need to address balance of payments pressure on low-income countries that were exacerbated through the decade by the debt crisis. For many low-income countries, SAL became a vital source of external financing during an increasingly difficult period (Kapur et al 1997: 517-21). An additional pressure also came from the general decline in global commodity prices in the 1980s, which pushed low-income countries to be more dependent of World Bank financing as their export earnings from raw materials declined (Maizels 1987: 539).

The Bank in the McNamara years also became increasingly vocal in its commitment to the alleviation of poverty in its member countries. 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

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.

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 creditor states:

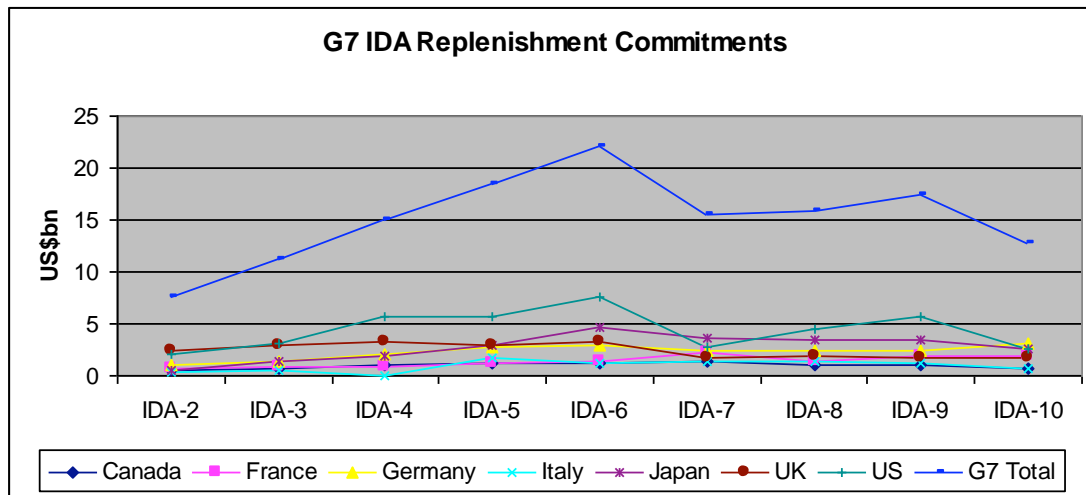
In my view the fundamental case for development assistance is the moral one. The whole of human history has recognized the principle - at least in the abstract - that the rich and the powerful have a moral obligation to assist the poor and the weak. That is what the sense of community is all about-any community: the community of the family, the community of the village, the community of the nation, the community of nations itself (McNamara 1973: 4).

In addition to the individual appeals of McNamara, much of the Bank's research work was devoted to the issue of poverty alleviation, with the 1974 *Redistribution with Growth* publication having a heavy impact on developmental thinking both within and outside the Bank (Ayres 1983: 5).

Given the IDA's funding structure, the flip-side of rising rates of lending during this time was increasing resource transfers from creditor states. Although struggles over the scale and relative share of contributions dominated early replenishment rounds, IDA-2 through to IDA-6 generated steady growth in creditor commitments (see Figure 2.3). However, the growing US dissatisfaction over inadequate 'burden-sharing' from other creditors reached its peak in IDA-6 (1978-81) and IDA-7 (1981-85). Indeed, US intransigence was one of the causes of the latter round's extension 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

⁷ By the conclusion of IDA-10, the G7 still supplied over 80 percent of replenishment commitments. See OECD Development Assistance Committee database, at <http://www.oecd.org/dataoecd/50/17/5037721.htm>. Accessed 4 May, 2009.

Figure 2.3. Growth in IDA funding, 1969-96⁸



Source: OECD Development Assistance Committee database: <http://www.oecd.org/dataoecd/50/17/5037721.htm>

From the early days 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 US unambiguously threatened to scupper IDA-6 unless the Bank provided an assurance that no resources would be committed to Vietnam (Sanford 2009).⁹ In addition to the ‘high politics’ of resource distribution constant demands for more operational control over the micro-management of IDA resources were a background theme in negotiations, although up until the late 1980s the Board was relatively successful in frustrating creditors’ efforts in this later regard (Kapur et al 1997: 1149). However, in what was a hostile external environment, creditors moved to exert a concerted pressure on the Bank to perform more effectively. In the light of the shift in lending practices that had occurred

⁸ For a list of the dates of IDA replenishment rounds, see Annex II.

⁹ 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: 37-8).

through the IDA, creditors increasingly demanded that the Bank perform in terms of global poverty reduction.

As the following section of the chapter shows, from the early 1990s onward IDA replenishment negotiations have been used as a proactive means of ensuring shareholder accountability at the World Bank, as creditors have used the forum to enforce more effective Bank performance when measured against a poverty reduction metric. The focus of the remainder of this chapter is on the process whereby a positive feedback cycle has developed between the World Bank and its key creditor states, through which principals' efforts to ensure effective performance have coalesced with the efforts of the Bank to legitimate its activities in an increasingly hostile and demanding environment. Quantification, and in particular the quantification of global poverty, has been adopted by creditors as a mechanism with which to better monitor the output of the Bank. Paradoxically, the same process has also provided the Bank with the means with which to better legitimise its activities – not least to the creditors holding the purse-strings.

2.3. Embedding the World Bank's poverty reduction turn

Following the dramatic developments of the McNamara era, by the late 1980s creditors' understanding of the Bank's primary mission had begun to fix around the alleviation of global poverty. Beginning with IDA-10, the ensuing period is marked by the opening attempts of creditors to use IDA negotiations to alter the Bank's material incentives so as to ensure better performance in line with this re-formed understanding of its mission. From this time there has been a steady consolidation of the poverty reduction focussed 'results agenda' by shareholders. Creditors' pressure on the Bank to roll out the PRSP initiative was a significant moment in their moves to

enhance the Bank's direct focus on poverty reduction, and the recent launch of the Africa Results Monitoring System (ARMS) represents the culmination of this drive. During this time, the complementary side of the feedback cycle is shown by the Bank's increasing legitimization of its activities in terms of their contribution to poverty reduction.

The IDA-10 replenishment round, which was concluded in 1994, is described by Kapur et al (1997: 1149) as 'breaking ice' in terms of the level of influence of creditor states on the lending operations of the IDA. The context in which the discussions took place goes some way to explaining their watershed nature. Following the previous 'decade of debacles', during which the Bank attracted heavy criticism from a range of NGOs in relation to the negative consequences of a series of high profile loans (Rich 1994: 25-48), increased scrutiny was placed on the social and environmental impact of Bank-supported projects by creditors. Under pressure from creditor states, in particular the US, in 1993 the Bank was pushed to establish an Inspection Panel, which was mandated to hear complaints from groups that were negatively impacted on as a consequence of the Bank's failure to follow its own operating procedures (Weaver 2008: 52, Shihata 2000: 4). In the years preceding IDA-10, a series of internal reports highlighted major shortcomings in the operating procedures of the Bank, pointing in particular to the effect of low attention to project and programme implementation on overall success rates (Kapur et al 1997: 42). In addition, the leaked Wapenhans Report in 1992, which concluded that poor performance in programme design, implementation, and monitoring were the result of an 'approval culture' (Weaver 2008: 84), ratcheted up the critical focus on the Bank.

The conditions attached by creditors to the IDA-10 replenishment package were a sharp development in the politics of shareholder accountability at the Bank.

With the agreement, shareholders moved to take an unprecedented role in the micro-management of IDA operations:

[Creditor states] went a step further, 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).

Although representing 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 yardstick according to which shareholders expected the Bank to perform.

Throughout the most recent series of negotiations, improving their ability to monitor the output of the World Bank has been of high importance to successive groups of IDA replenishment negotiators. Reflecting the Bank's redefinition of its primary mission, its contribution to poverty reduction has been taken up by as an appropriate metric. Amongst the major shareholders, the implementation of a results agenda has been a particular priority aim for the US government, especially so since the second Clinton Administration (Sanford 2002: 752, Weiss 2007: 12). In 1998, under pressure from the US, major steps were taken by creditor states during IDA-12 to push for the implementation of mechanisms through which to increase the poverty reduction effectiveness of IDA funds. In response, a formal Performance Based Allocation (PBA) system taking into account Country Policy and Institutional Assessments (CPIAs) was created (Sanford 2005: 2).

Under the new PBA arrangements, Bank staff made evaluations of how appropriate countries' policy environments were to sustainable economic growth and poverty reduction, with the resultant CPIA rating forming one of the inputs into IDA lending allocations. The justification for this system was that, by diverting resources

to where they were likely to have the greatest poverty reducing impact, PBA met the demands of shareholders. Although debates over the effectiveness of PBA continue, in particular over which policy and institutional factors are of prime importance in determining a borrower's effectiveness to translate resources into poverty reduction (World Bank 2001, World Bank 2004a, World Bank 2004b), reforms to PBA are a tangible means through which the politics of shareholder accountability have shaped IDA operational practices.

Following these initial steps to ensure more effective Bank use of resources in its engagements with low-income countries, in the rounds that have taken place since IDA-12 the pressure from creditors for the establishment of a more effective system with which to monitor the output of the Bank has grown. In addition, an increasing emphasis has been placed on securing a more targeted assessment of the contributions that IDA programmes make directly to poverty reduction as measured by the MDGs (Sanford 2005: 3, Weaver 2007: 500). The IDA-13, 14, and 15 replenishment reports, which provide the details of each series of negotiations between 1999 and 2008, provide evidence of this trend.

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). The report goes on to detail the conditions for such a system as laid down by the representatives of the IDA's creditors. It notes that:

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 data base, 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).

At the conclusion of IDA-13, the US offered an unprecedented direct inducement to the Bank to accelerate the embedding of the results agenda.

Upon concluding the negotiations for IDA-13, the Bush administration announced that it would contribute an additional US\$300 million on the condition that the Bank met requirements that aid could be shown to generate 'measurable results'. Health and education, two areas of central importance to the MDGs, were highlighted as particular areas in relation to which the Bank was called 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).

This focus on the MDGs was consolidated through the following replenishment round, 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 the most recent replenishment negotiations (World Bank 2008b: 22-3).

The importance of the role played by the US in the consolidation of the moves to better tie IDA lending to measurable results is acknowledged informally by Bank staff, and it is common practice within the Bank to refer to the results agenda and ARMS as US-inspired initiatives.¹⁰ Because of the US and other IDA shareholders' use of material incentives, enhancing IDA-borrowing countries' ability to track a range of key poverty indicators and assess the impact of IDA funded projects on them, now lies at the centre of the Bank's ability to demonstrate to its key principals that it is performing effectively.

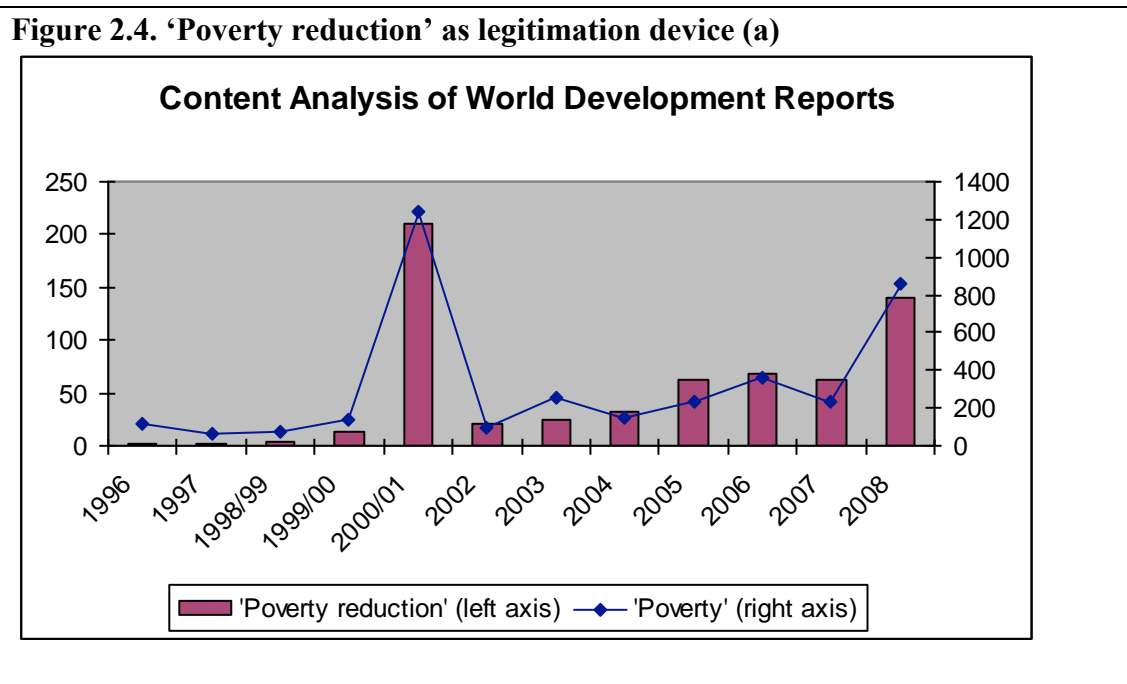
Turning briefly back to the Bank, we see that throughout the period of the shareholder push with the results agenda and ARMS, the institution increasingly justified its activities in terms of their contribution to poverty reduction. In addition to the direct interactions with creditors through IDA negotiations, the Bank continued to shape the understanding of its central mission in its wider social environment as centring on this issue. Through such legitimation activities, the positive feedback cycle was completed.

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.¹¹ From a starting point of just

¹⁰ Amongst the interviewees that raised this link were Graham Eele (World Bank Development Data Group), Dino Merotto (Uganda Country Economist, World Bank), and Jon Sanford (Congressional Research Centre). Indeed, when asked if demands to demonstrate results in terms of poverty reduction had led to any tangible changes in Bank operations, several interviewees suggested that the Africa Results Monitoring System had been instituted in direct response to the US pressures outlined above.

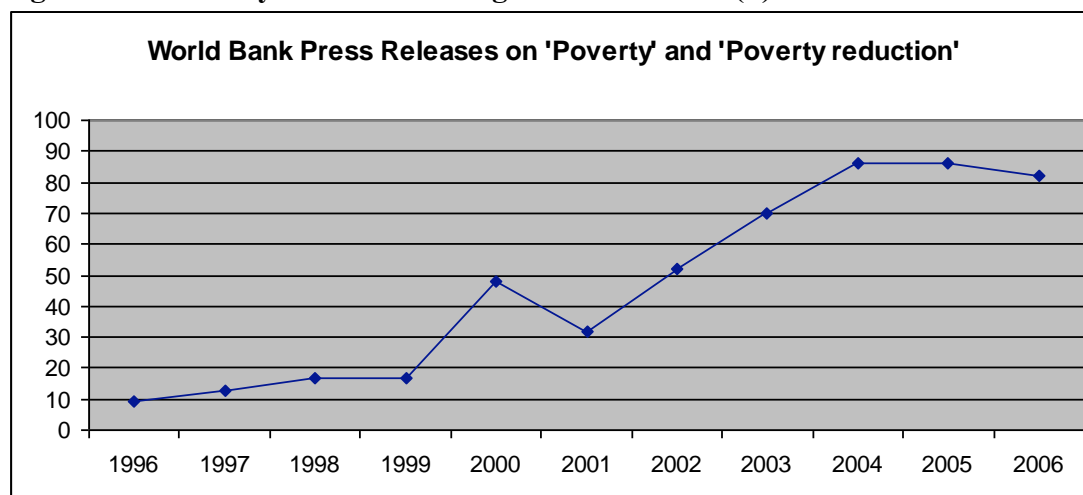
¹¹ The dramatic outlier in 2000/01 is the result of the WDR focussing on 'Attacking Poverty'. The following graphs on capacity building assistance and the availability of poverty indicators also contain outliers around 2000/01, which I suggest were linked to a millennium-inspired push on MDG monitoring.

two mentions in the both the 1996 and 1997 WDRs, between 2002 and 2008 the phrase ‘poverty reduction’ appeared with an average frequency of 59 times. 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 (Wade 2001: 130), and given their relatively accessible content, WDRs are often seen as the ‘public face’ of the Bank (Mawdsley and Rigg 2002: 93). This shift in emphasis toward ‘poverty reduction’ is also in evidence when the Bank’s management of its media relations is examined. 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 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, press releases are a vital component of the Bank’s public relations management.¹²



¹² Information regarding the Bank’s circulation of press releases was supplied by Amy Stilwell, World Bank External Affairs Media Manager, during e-mail correspondence with the author, September 2008.

Figure 2.5. 'Poverty reduction' as legitimization device (b)



Source: World Bank classification of press releases, available at <http://web.worldbank.org/wbsite/external/news>

In addition, the personal impact of James Wolfensohn in renewing the Bank's focus on poverty reduction must not be overlooked. Wolfensohn became President of the Bank in 1995, and took the opportunity of his first Annual Meeting to lay out 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 (and 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). The role of Wolfensohn as a high-profile and vocal advocate of poverty reduction at the high table of global policy making, and his importance in maintaining the explicit focus on poverty reduction through the enhanced HIPC, is well attested (Mallaby 2006).

By the late 1990s and early 2000s, a positive feedback cycle had developed around the politics of shareholder accountability at the World Bank. The original reorientation of the Bank in the McNamara years had shaped creditors'

understandings of the appropriate primary mission in the Bank's engagement with its low-income IDA borrowers, such that when prompted by a period of crisis to push for increased effectiveness on the part of the Bank they moved to monitor its output in terms of its contribution to poverty reduction. As the results agenda has been consolidated, the positive feedback cycle has been completed by the Bank's increasing use of poverty reduction as a legitimization device to its wider social environment.

2.4. Filling the world with indicators

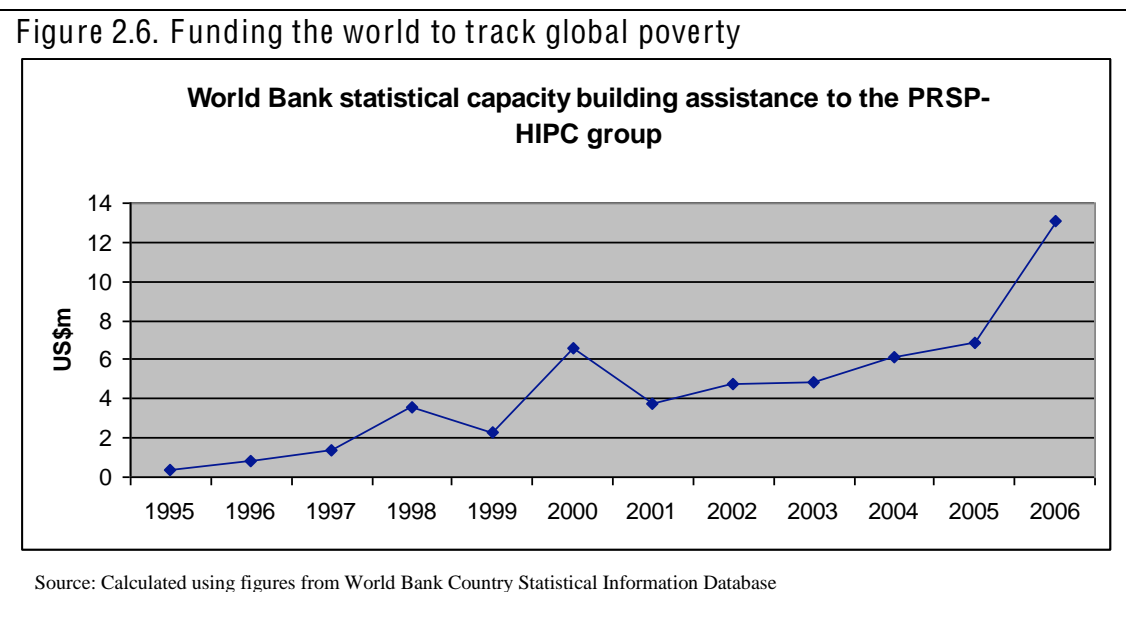
Owing to the positive feedback cycle outlined above, effectively tracking the impact of IDA lending on poverty reduction in borrowing countries has become a central component of the politics of shareholder accountability. Creditor states have pushed for this link to be made explicit in order to provide them with better information with which to monitor the effectiveness of the Bank, and in so doing have provided 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.¹³

Evidence that is indicative of this turn can be seen in the amount of Bank resources that were directed toward statistical capacity building projects, as listed on the Bank's *Statistical Information Database*.¹⁴ Between 1996 and 2006, assistance in

¹³ This information regarding the Bank's shift to statistical capacity building efforts was initially supplied by Graham Eele, World Bank Development Data Group, in e-mail and telephone correspondence with the author, September 2008, and confirmed by several interviewees in Washington, DC in November and December 2008.

¹⁴ 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.

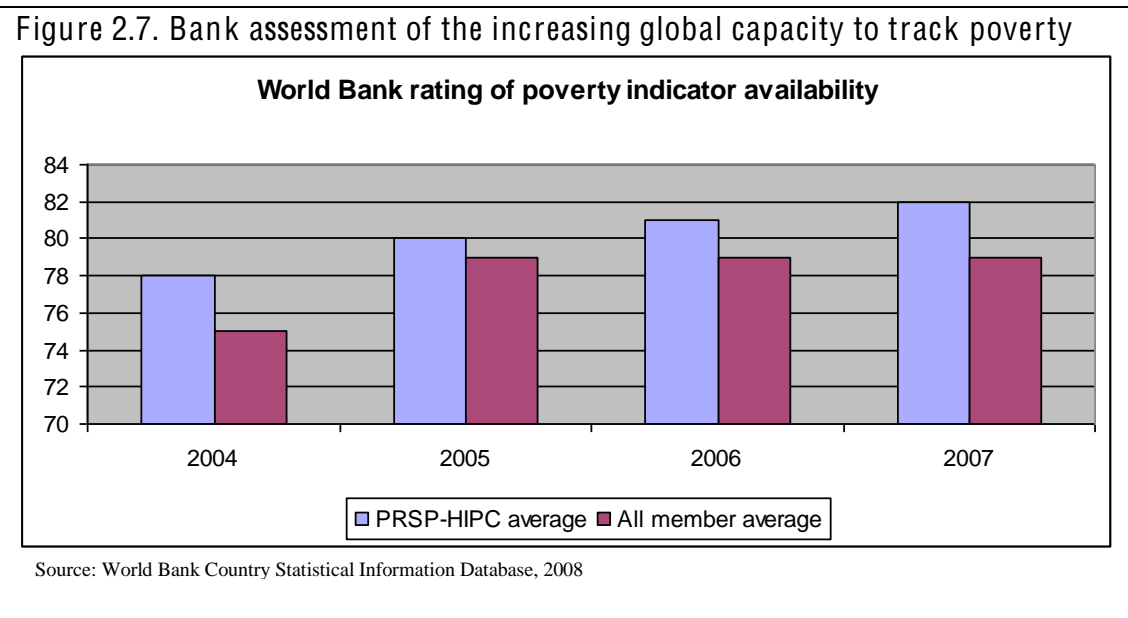
this area to 23 of the lowest income IDA borrowers more than doubled every two years.¹⁵ From a low base-point, by the end of the period each of the countries received an average annual package of some US\$570,000. Relatively small amounts can achieve significant results in statistical capacity building: a figure of approximately US\$140,000 covers the formation of a 10-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. The Bank's assessment of country capacity to collect data relating to the MDGs show 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

¹⁵ The group that I focus on are the 23 countries that have passed through the PRSP initiative to receive HIPC debt relief. For a complete list of the PRSP-HIPC group see IMF 'PRSP Factsheet', available at: <http://www.imf.org/external/np/exr/facts/hipc.htm>. Accessed 13 May, 2009.

of the general Bank borrower.¹⁶ An analysis of the longer term trend in the production of poverty indicators confirms this trend: from an average total of just 51 indicators per year from 1994 to 1999, an average total of 89 indicators were produced in the years 2003 to 2006.¹⁷



With the launch of ARMS in 2007, the drive to improve countries' monitoring capabilities has been consolidated. ARMS serves as a hub around which borrowers' monitoring capacity building can be co-ordinated, and data on the impact of IDA-supported projects disseminated. As the World Bank (2007: 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 (2009):

¹⁶ As the average level for World Bank members includes all IBRD borrowers (i.e. a grouping with on average a much higher level of per capita income than the PRSP-HIPCs), it is particularly surprising that the PRSP-HIPCs have a higher average capacity.

¹⁷ 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 PRSP-HIPCs. This provided a rough corroboration of the Bank's own findings that over time the tracking by the PRSP-HIPCs had improved. Many thanks to Judi Atkins for her help with this painfully monotonous task!

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, some 800 government officials have been trained by the Bank to incorporate the results framework into domestic decision-making processes.¹⁸

The electronic dissemination of information plays a vital role in the ARMS project. 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 drive to increasingly quantify global poverty through ARMS and the results agenda are presented as a narrowly technocratic exercise, the process entails a deeply political aspect. Attempts to fix the meaning of developmental terms are inevitably contentious, and in this instance there is a crucial intersection between the shareholder-supported push with the results agenda and long standing debates within the Bank 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.

¹⁸ 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>. For an examination of the use of training as a means of IO influence, see Broome (2010).

2.5. The results agenda and the ‘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 which, 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 (Breslau 2003: 381, Blyth 2002: 150). This process is as true for understandings of ‘poverty’ as for ‘savings’, ‘investment’, and ‘inflation’. At the World Bank, the US 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 (Wade 2001, Kapur et al 1997: 215-33). 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 US 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 US 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 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 focussed on structural adjustment whose negotiation occurs in an environment in which social development staff are almost entirely absent (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 and Kozel 2005, Deaton 2001). In contrast, the social development practitioners' conceptualisation of poverty as a multi-dimensional problem leads them to favour measures that incorporate 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.¹⁹ 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.²⁰ Country Economists and researcher staff within the Development Economics Vice Presidency are also important ideational gatekeepers (Broad 2006, Bebbington et al 2004: 44-5).

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

¹⁹ In order to be accepted as appropriate 'global' practices, the effectiveness of policy refinements generally must be demonstrated according to standards that satisfy key macroeconomic bastions within the Bank. See, for examples, Bebbington et al (2004: 44) and Broad (2006).

²⁰ On the role of Country Directors, see Aycrigg (1998: 18).

poverty... This work includes assembling comparable and high-quality social indicators for education, health, access to services and infrastructure.²¹

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 US-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-focussed conceptualisation of poverty reduction. A recent training session organised by the Group, for example, outlined 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.²²

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

²¹ 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>.

²² 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:2164246~menuPK:435390~pagePK:148956~piPK:216618~theSitePK:430367~isCURL:Y,00.html>.

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 over the long term, the US push to monitor the performance of the Bank has subtly altered the terrain on which this process is unfolding.

2.7. Conclusion

Numbers are a powerful resource in the arena of global economic governance, offering 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 regarding IO monitoring, the interaction between an IO’s framing of its state-principals’ understandings of its mission, and the use of material incentives by a key state to push for evidence of performance according to this 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 and ARMS, 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 US 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 accountability 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 IO. 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 links between this creditor state control and the prospects for cosmopolitan global governance, exploring in particular the extent to which the concerted focus on the MDGs is serving to open-up or close-down the opportunities for the democratic self-steering of this policy sphere in low-income countries. More immediately, however, chapter three now turns to the politics of shareholder accountability at the IMF, and reveals very different sets of dynamics to be in operation on the two sides of 19th Street. Whereas a relatively high degree of consensus amongst shareholders has helped facilitate the construction of a framework with which to monitor and control the Bank, at the Fund intra-shareholder disputes over the IO's appropriate role have led to divergent, and at times contradictory, shareholder pressures.

Chapter Three – Ambiguous Goals and Blurred Accountability at the PRGF

3.0. Introduction

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 (Daniel Heath, US Alternate Executive Director of the IMF, December 2008).³⁶

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 (Laurean Rutayisire, Africa Group II Executive Director of the IMF, December 2008).³⁷

During the closing years of World War II, when the potential form and function of the International Monetary Fund was being discussed among allied policymakers, the needs of developing countries were considered at best a secondary matter. The main concern of the architects of the Bretton Woods System was that mechanisms 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. In recent years, competing demands from key shareholders have placed contradictory pressures on the Fund to reform its engagement with low-income countries. Intra-shareholder disagreements have revolved around the question of how the Fund should relate to the business of development, particularly where the

³⁶ Interview with the author, November 2008.

³⁷ Interview with the author, November 2008.

line should be drawn between balance of payments correction and broader developmental concerns.

Though encountering major upheavals in its environment and making ongoing alterations to its operational practices, over its more than sixty year lifetime the IMF has in essence remained ‘a balance of payments institution’ (Bird 1995: 12). The qualifying criteria for access to Fund resources has remained the demonstration of a balance of payments need, whether through the original General Resources Account (GRA) window or the more recently established Structural Adjustment Facility (SAF), Enhanced Structural Adjustment Facility (ESAF), and Poverty Reduction and Growth Facility (PRGF) concessional windows. However, as over time low-income countries have come to dominate the Fund’s lending arrangements, contests over the organisation’s role within broader ‘developmental’ goals have emerged. Although the IMF itself and the US, its major shareholder, have continued to advocate an understanding of the Fund as a balance of payments focussed organisation, other major shareholders have attempted to both ensure that Fund resources remain a significant component of developmental assistance to low-income countries and that Fund supported programmes be driven by an explicit focus on poverty reduction.

The story of the politics of shareholder accountability at the IMF, specifically relating to the attempts of large quota holders to encourage reforms in the organisation’s engagements with low-income countries, is complex. It entails both an examination of the process through which state-principals’ understanding of the organisation’s appropriate role have been shaped, and of the mechanisms through which competing shareholders have attempted to enact changes in the practices of an institution that is well known for its tendency to speak and act in the language of macroeconomic expertise. As the framework outlined in the opening chapter made

clear, in order to gain such a comprehensive understanding of the politics of shareholder accountability it is necessary to combine the analytical concerns of both the constructivist and PA approaches to the study of IOs. By so doing, it becomes possible to see two important facets of the contemporary politics of shareholder accountability at the Fund: first, the role played by interactions between the IO, state principals, and external actors in shaping understandings of the Fund's appropriate role; and second, the role played by intra-shareholder contests to realise their aims and to overcome information shortages and push the IO to make operational alterations.

The chapter proceeds according to the following structure. The opening section introduces the conceptual framework that allows for a comprehensive understanding of the politics of shareholder accountability at the IMF to be presented. In contrast to the 'positive feedback cycle' explored in relation to the World Bank's International Development Association in the previous chapter, here developments in the Fund's engagements with low-income countries are characterised as a 'negative feedback cycle'. Disagreements among shareholders have led to contradictory reforms of the operations of the Fund, which have in turn exacerbated disagreements and continued the contradictory pressures on the IO. In the second section of the chapter I review the major developments that established the IMF's core expertise in the field of short term balance of payments management. This acknowledged expertise provides the sources of both the Fund's and its key shareholders' understandings of its central mission. In the third section I review the deepening relationship between the Fund and low-income countries from the late 1970s, which is done in order to provide the historical context of the contemporary intra-shareholder disputes. In the fourth section I outline the major developments that occurred within the relationship through the mid-1980s to the mid-1990s. The formation of the SAF and ESAF marked the

consolidation of a number of trends in the IMF's engagements with low-income countries, which in combination served to generate ambiguity as to the appropriate goals of the IO. In the fifth section I outline the ongoing intra-shareholder contests to redefine the Fund's role in relation to low-income countries, which are focussed around reforms to the PRGF. Advocates of the 'developmental' Fund have attempted to use both financial incentives and mechanisms to reduce information shortages to push the organisation in a poverty reduction direction, while concurrently advocates of a 'minimalist' Fund have fought to put in place clear 'exit strategies' for low-income countries with a long term reliance on Fund resources. In the closing section of the chapter I review the lessons that can be drawn regarding the politics of shareholder accountability in IOs from the experiences at the IMF, and introduce the key themes that are returned to in chapter six when the intersection of the politics of shareholder accountability at the IMF and debates on cosmopolitan global governance are examined.

3.1. Conflicting economic principals

In order to fully grasp the complexities of shareholder accountability at the IMF, it is necessary to combine the insights of principal-agent and constructivist accounts of IOs. This allows us to bring analytical clarity to the often subtle power relationships that are bound-up within the interactions between the Fund and its major quota holders. In contrast to the 'positive feedback cycle' that was fostered through the shareholder accountability relationship at the World Bank, at the Fund conflicting understandings of the appropriate role of the IO amongst shareholders, combined with the inherent difficulties of reforming an organisation with a deeply embedded attachment to operating according to the tenets of 'economic expertise', have led to a

series of contradictory reforms. In responding to conflicting demands by instituting contradictory reforms the Fund has become entangled in a ‘negative feedback cycle’, whereby the continued dissatisfaction amongst shareholder groups that the IO is not effectively meeting ‘appropriate’ goals has led to continuing divergent reform pressures. Barring significant changes to either the Fund’s operations or shareholders’ preferences, this situation looks likely to continue.

A number of the mechanisms outlined by the PA approach are in evidence within the contemporary politics of shareholder accountability at the IMF. As was noted in previous chapters, the core concern of the PA approach to the analysis of IOs is on the balancing act that states carry out between, on the one hand, reaping the gains from delegation that allow their goals to be effectively met, and on the other hand working to ensure that IOs do in fact pursue these goals. Whilst there is a tendency in PA work to concentrate on examples of principals operating *en bloc* to push through reforms to IO practices (e.g. Gould 2006), an established strain of PA work analyses the important role played by intra-principal disputes. Amongst these contributions, works have focussed on the increased autonomy that can be enjoyed by IOs that successfully exploit disagreements to advance their own preferences (Worsham and Gattrell 2005: 366, Kiewert and McCubbins 1991: 26), as well as the means through which principals resolve disputes (Lyne et al 2006: 58). In relation to the latter, analysts consider the absolute formal power of member states to be an important determinant of outcomes, but also highlight the ability of lower order states to form veto coalitions on particular issues (Lyne et al 2006: 59, Garrett and Tsebelis 1996: 269). As is shown later in the chapter, the formation of coalitions at moments when key funding decisions were taken has allowed shareholder advocates of a more developmental orientated Fund to secure key victories.

In addition to the problem of intra-principal disputes, a second issue identified by the PA literature as inhibiting the ability of states to effectively control their IO-agents that is pertinent to the shareholder accountability relationship at the IMF is the insulating function of ‘expert knowledge’. Although a central source of state gains from delegation come from the benefits of specialisation, the holding of highly specialised expertise by an IO can serve to hinder states’ efforts to monitor and demand changes in the output of the IO. In an institution such as the IMF, a great deal of expert knowledge is required in order to assess the efficacy of its policy prescriptions. In the words of Martin (2006: 145):

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.

The ‘problem of attribution’ has long clouded shareholders’ ability to judge the effectiveness of the Fund.³⁸ Assessing the influence of Fund supported programmes in terms of conventional external viability and GDP indicators has proved to be highly problematic,³⁹ but when shareholders attempted to push the Fund toward an explicit concern with poverty reduction this information shortage became a severe handicap. However, the IMF’s Independent Evaluation Office (IEO) has acted as an important source of such information, which has allowed for ‘developmental’ shareholders to push the Fund to embed important aspects of a poverty reduction focus. The IEO has

³⁸ Although complex statistical models have been used to generate plausible counterfactuals in order to clarify the question of how much ‘credit’ or ‘blame’ the IMF deserves for developments in borrowing countries, the attempts are founded on ‘a minefield of conceptual pitfalls’ (Schadler 1995: 618) that can at best be partially overcome.

³⁹ Opinion on the impact of Fund supported programmes on GDP growth rates remains divided. For a review of the literature, see Vreeland (2003: 3-8), Santaella (1996), Killick (1995: 43-58), and Williamson (1983: 129-44). Indeed, despite the heavy criticism encountered by the Fund for its perceived mis-handling of the Asian Financial Crisis of 1997-8, reports produced by Fund staff maintain that reform programmes have proved to have aided the long term stability and growth of the countries (e.g. Boorman et al 2000: 4). Indeed Michel Camdessus, the IMF Managing Director at the time of the crisis, described the Fund’s response as ‘an outstanding success’ (Camdessus and Naim 2000: 37).

in fact also played such a facilitating role for the advocates of a ‘minimalist’ Fund. In the battle to reform the Fund’s engagements with low-income countries, it seems that knowledge – and particularly knowledge expressed in ‘hard’ macroeconomic terms – is indeed power.

As is shown through this chapter, the PA approach sheds light on a number of key mechanisms that both restrain and enhance the capacity for powerful states to control the IMF. The incentives- and knowledge-based games through which state shareholders attempt to realise their preferences clearly form a significant component of the politics of accountability at the Fund. However, for a more complete understanding to be presented it is necessary to again complement the insights of the PA model with those of the constructivist approach to the study of IOs.

The constructivist approach to IOs adds greater nuance and depth to the understanding of the issue of shareholder accountability at the IMF. Whereas the PA model focuses on the means at the disposal of states to coerce IOs into compliance, constructivism highlights the process of fixing meanings that is deeply embedded within the accountability relationship (Barnett and Finnemore 2004: 22-7, Bauer 2002: 387, Alderson 2001: 421, Johnson 2001: 488, Immergut 1998: 14-19). During its early years, the Fund was successful in establishing an understanding of its role as defined by its macroeconomic expertise relating to the overcoming of short term balance of payments disequilibria. However, as the number of active arrangements that the Fund had with low-income countries increased dramatically through the 1980s, and conditionality came to cover issues ‘outside’ of its core macroeconomic knowledge base, disagreements over the appropriate role of the Fund grew. Although the Fund continued to present its engagements with low-income countries in terms of its traditional mandate, input from external actors contributed to demands from some

shareholders that greater attention be paid to the poverty impact of adjustment programmes.

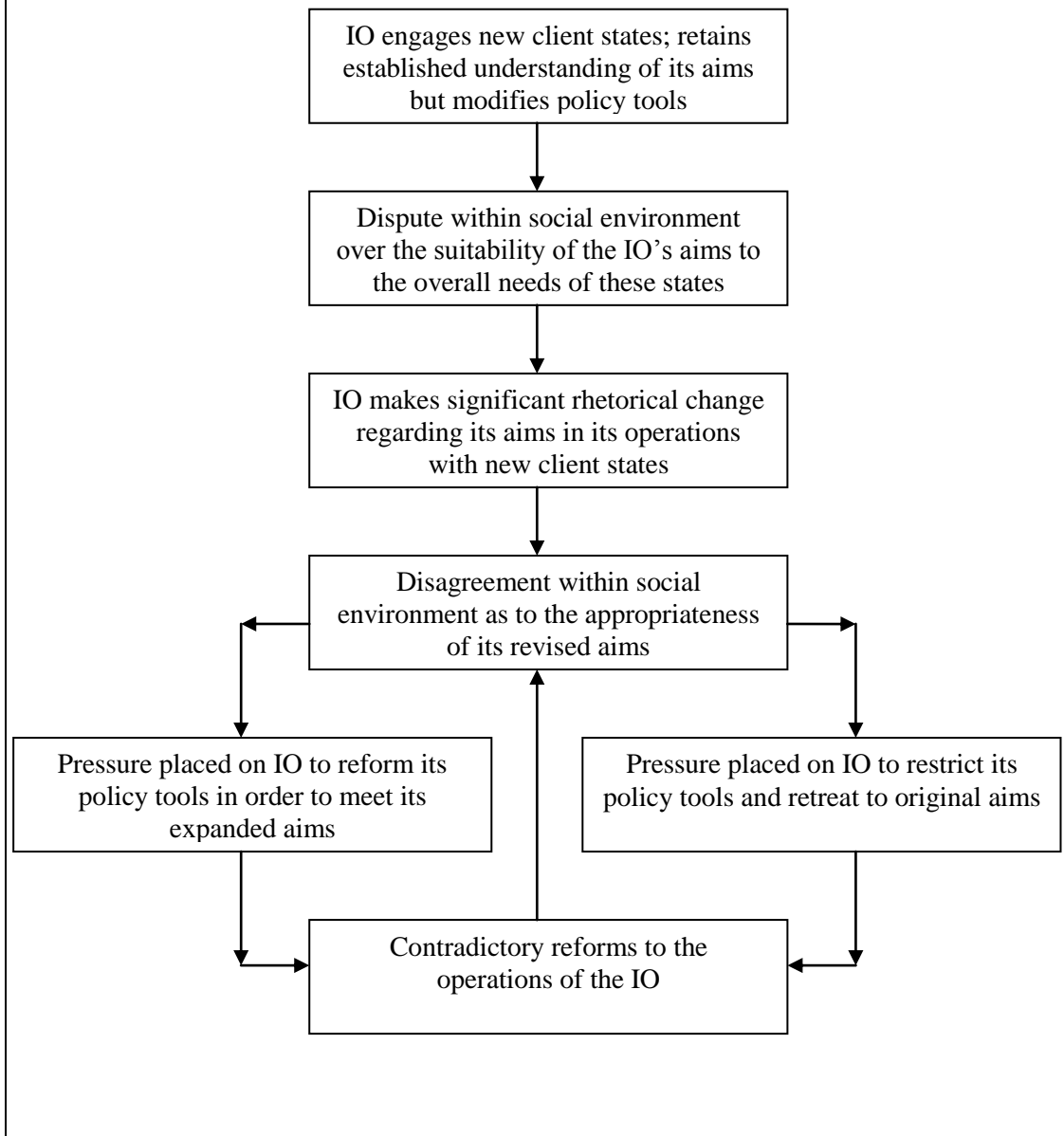
In common with the previous analysis of shareholder accountability at the Bank, a perceived crisis was of central importance in determining contemporary developments in the relationship between the IMF and its major quota holders. The constructivist foregrounding of the importance of crises in both shifting understandings of the appropriate role of IOs in their social environment, and in shifting the balance of power between states and IOs in the contest to redefine this understanding (Boswell 2008: 472-3, Bauer 2002: 387), sheds light on the contemporary developments at the Fund. In particular, this insight can be drawn upon in order to fully capture the importance of the widespread criticism in the 1990s of the Fund's programmes in borrowing countries, which culminated in the 'legitimacy crisis' of the Fund after the Asian Financial Crisis of 1997-8 (Best 2007, Seabrooke 2007, Elliott 2006, Wade 1998). This legitimacy crisis provided a group of the Fund's major shareholders with an opportunity in the late 1990s to tie the IO in to the global policy issue of 'poverty reduction'. In the years since this time there have been ongoing contests, both internally amongst shareholders and between shareholders and the Fund, to fix the position of 'poverty reduction' within the Fund's mission, and to attach a degree of operational precision to the goal.

A holistic understanding of the politics of shareholder accountability at the IMF requires that the insights of both of the major approaches to the study of IOs be combined. As was the case with the previous examination of the Bank, this can be accomplished by adopting an analytic framework with an explicitly diachronic focus. This allows us to see that contests between state-principals and IO-agents are essentially two sides of the same coin: the 'games' played between creditors and the

Fund regarding policy reform are both informed by, and themselves inform, understandings of the appropriate role of the IO. In contrast to the positive feedback cycle that developed through the Bank's interactions with its shareholders, however, the evolution of shareholder accountability at the Fund has progressed along a more divided path. Whereas the Bank's initial moves to redefine its primary mission were followed by complementary shareholder moves to refine its mission and push for a more effective meeting of output targets, the Fund's initial move toward closer engagements with low-income countries was met by disputes over what its appropriate goals from these interactions should be. This intra-shareholder disagreement and confusion has led to contradictory pressures being placed on the Fund, and a series of inconsistent operational changes that have impeded the resolution of the dispute over the Fund's role. Figure 3.1 provides a schematic presentation of this process.

As the following sections of the 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 toward developing countries was consolidated with the formation of the Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (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 time frame and content of IMF agreements with low-income countries. In more recent years,

Figure 3.1. The negative feedback cycle of IO monitoring



conflict between shareholders over the appropriate endgame of Fund engagements with low-income countries, particularly as to whether the IO should be in the 'poverty reduction business', have led to a series of contradictory reforms. These pressures of shareholder accountability have led to the beginning of a 'negative feedback cycle', whereby inconsistent reforms have led to continued disagreement between

shareholders as to the appropriateness of its policy tools and aims, and so further divergent pressures for reform.⁴⁰

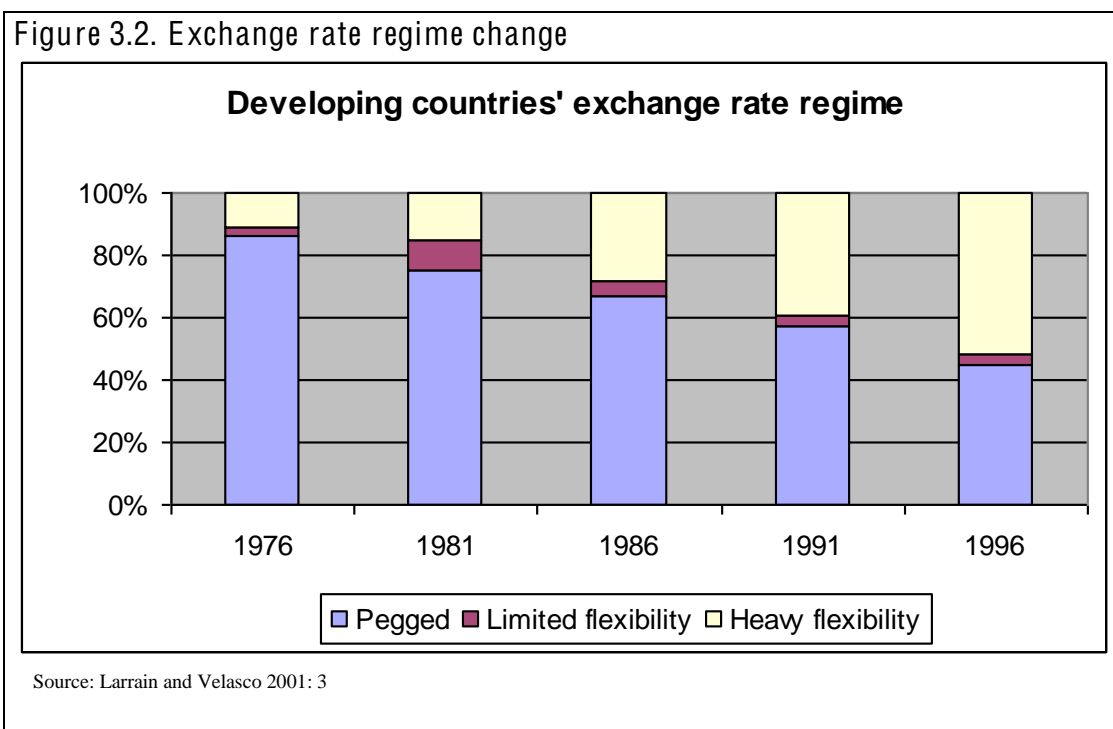
3.2. Establishing the Fund's balance of payments expertise

When outlining his views on the International Monetary Fund, John Maynard Keynes, one of the key architects of the post-War international monetary order, cautioned against the danger of the institution 'being grandmotherly' (James 2004: 78). What Keynes did not want was the Fund to resemble a hectoring matriarch, convinced of her own wisdom and telling others what to do in return for providing finance. However, through the opening decades of its operation, the Fund rapidly succeeded in acquiring an unparalleled level of expertise regarding the resolution of balance of payments problems. As a consequence of the general understanding amongst shareholders that regarding balance of payments 'the Fund knows best', mechanisms were put in place whereby access to upper levels of Fund resources was made conditional on borrowers' adherence to IMF policy prescriptions. Against the original wishes of Keynes, the 'Old Lady of 19th Street' became distinctly grandmotherly. It is necessary to take a long-term view of the evolution of the Fund's operations in order to gain a full understanding of the historical context of the contemporary intra-shareholder disputes.

When its Articles of Agreement were signed in 1945, the *raison d'être* of the IMF was to act akin to an international credit union. Under a rules based international monetary system with fixed exchange rates, the Fund was designed as a lender of last resort to provide offsetting finance to countries with balance of payments

⁴⁰ Changes in key personnel at the Fund have contributed to this period of uncertainty at the organisation. Following the relative stability of the Camdessus years (1987-2000), over the past decade the IMF has had three Managing Directors. See IMF Official Website, at <http://www.imf.org/external/np/exr/chron/mds.asp>.

disequilibria. In the face of a persistent problem, members could apply to the Fund to make changes to the par value of their currency. Although the system of fixed exchange rates broke down in the early 1970s, the role of the Fund remained remarkably consistent. Under the new international environment the Fund acquired new policy tools such as currency devaluation and moving to flexible exchange rate regimes that it increasingly recommended to members with external imbalances (see Figure 3.2), but the Fund's mode of operation did not fundamentally alter (Bordo 2004, James 2004).



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 percent Special Drawing Right (SDR), and 75 percent domestic currency (James 1996: 51).⁴¹ Although control over the flow of resources into the IMF is not a source of power that states can use in the normal course of the operations of the IO, at key moments the principals have successfully employed this source of leverage.⁴²

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, 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;⁴³ the other members are arranged into groupings of between four and 23 that collectively elect an Executive Director.⁴⁴ 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

⁴¹ Although originally quotas were paid in a ratio 75 domestic currency and 25 percent gold, in its contemporary operations members are required to pay in domestic currency and special drawing rights (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>.

⁴² As is shown later in the chapter, the extension of multilateral debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative, and the reforms to the Fund in the light of the ‘credit crunch’ have been two such exceptions, during which the provision of Funds has been tied to reforms in the operations of the IO.

⁴³ Currently, the US, Japan, Germany, France, the UK, China, Saudi Arabia, and Russia appoint independent Executive Directors.

⁴⁴ See IMF Official Website, IMF Executive Directors and Voting Power, available at <http://www.imf.org/external/np/sec/memdir/eds.htm>.

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 2006: 15-38, Woods and Narlikar 2001).⁴⁵

On paper, the original role of the Fund was remarkably clear. Within the fixed-but-adjustable Bretton Woods System, the external monetary policy options of the Fund's member states were relatively limited. Faced with pressure on their currency value through a balance of payments shortfall (i.e. domestic demand for foreign currency was outstripping foreign demand for the domestic currency), states – with advice from the Fund – were faced with a judgement call. If the disequilibrium was thought to be of a short term, 'emergency' nature that would be corrected over a natural economic cycle, then they could borrow resources from the IMF with which to offset the disequilibrium to defend their currency value. Conversely, if the disequilibrium was thought to be of a deeper, longer term nature, they could request the Fund for permission to devalue the official rate of exchange. The assumption underlying this course of action was that through devaluation positive price elasticities of supply and demand would increase demand for the country's exports and reduce its domestic demand for imports, thereby allowing for a stable equilibrium to be reached (Barnett and Finnemore 2004: 53, Bird 1995: 2).

However, in the first decades of its operation, the Fund did a large amount of 'learning on the job'. Its staff, with their unparalleled access to data and key practitioners, helped to shape the boundaries of macroeconomic knowledge in the field of exchange rate management. Although the first disbursements of Fund credits were made with no attached conditions, over time it became established procedure that

⁴⁵ In 1999, the Interim Committee was re-named 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>.

access to Fund resources were made subject to the meeting of certain policy benchmarks. A seminal case in the establishment of conditionality was the stand-by arrangement of Paraguay in 1957, in which it was agreed that a failure by the government to meet set performance criteria would lead to an automatic suspension of drawing rights. By the mid-1960s, the practice of attaching policy conditionality to loans had become almost universal for loans that would increase a borrower's indebtedness by beyond the 'gold tranche' (i.e. above 25 percent of a member's quota allowance) (Boughton 2001: 558). The content of conditionality was to a large extent determined by the evolving stock of Fund 'expertise' on the causes of and appropriate responses to balance of payments crises. Of particular importance were developments regarding the understanding of both the 'absorption approach' and the 'monetary approach' to balance of payments disequilibria (Barnett and Finnemore 2004: 55, Killick 1995: 22).

The key analytic advances that provided the intellectual underpinnings to evolving the use of conditionality were made in the early- to mid-1950s. The absorption approach to solving balance of payments, notably expounded in IMF Working Papers by Tsiang (1950) and Alexander (1952), focussed 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 balance of payments imbalances influenced the advocacy in Fund supported programmes of policies to restrict domestic credit creation. In addition, after the breakdown of the Bretton Woods System of fixed exchange rates in 1973, currency devaluation also

increasing became integrated into IMF policy conditionality (Sumner 2006, Killick 1995: 135, Dell 1983: 35). Although refinements and changes occurred in the Fund's modelling of balance of payments problems in later years, in certain respects 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.⁴⁶

Over the opening decades of Fund operations the large quota holding states, in general satisfied by the Fund's expertise in relation to balance of payments corrections, ceded authority over the 'nuts and bolts' of conditionality to Fund staff. Successive reviews of access to Fund resources under the GRA – the pool made up of members' quotas – reiterated the necessity of linking access in excess of the gold tranche to progressively more stringent policy conditionality. A comprehensive review of conditionality that was endorsed by the Board in 1968 is remarkable in the autonomy that it grants to operational staff:

Performance clauses will cover those performance criteria necessary to evaluate implementation of the programme with a view to ensuring the achievement of its objectives... No general rule as to the number and content of performance criteria can be adopted in view of the diversity of problems and institutional arrangements of members (Board Decision No. 2620-(68/141), quoted in Boughton 2001: 558).

In spite of growing criticism from some borrowers in the late 1960s and through the 1970s that Fund policy prescriptions were unnecessarily deflationary and damaging to longer term growth prospects, in a subsequent review of conditionality in 1978 the Board reiterated their backing for the 'tough love' of IMF supported policy packages.

⁴⁶ Finch (1983: 78) suggests that the IMF eschewed attention to structural factors in order to maintain an appearance of 'political neutrality', as is enshrined by its Articles of Agreement. By specifying conditions in terms of broad macroeconomic indicators, the distance between the sphere of influence of the Fund and specific decisions regarding policy implementation was maximised.

Indeed, in their communications accompanying the 1978 decision, the Board urged countries with balance of payments problems to turn to the Fund earlier rather than later, in order to minimise the need for painful reforms (Boughton 2001: 559).

By the mid-1970s, the IMF's position of expertise in relation to combating balance of payments crises had been comprehensively established. Major shareholders were in agreement that the 'medicine' of the Fund's policy prescriptions were an appropriate accompaniment to higher tranche credit access, and, notwithstanding the problem of attribution, the success of Fund engagements could broadly be measured in relation to balance of payments corrections. However, up until the mid-1970s, as most of the Fund's lending business was conducted with industrialised countries, the question of the organisation's engagements with its low-income countries had remained relatively unexplored (Boughton 2001: 564, de Vries 1986: 118-20). Owing to a combination of their low representation in the Fund and their inability to afford the lending rates charged by the Fund, the level of the IMF's engagement with developing countries had remained restricted. However, the oil crises of the 1970s delivered a new wave of borrowers to the Fund, and as the decade went on, disagreements between staff and some major creditors began to emerge as to what the terms of these engagements should be. The disagreements, concerning the compatibility between the IMF's established approach to countering balance of payments crises and the particular developmental needs of low-income countries, continue to structure the contemporary politics of shareholder accountability at the Fund.

3.3. IMF lending to low-income countries

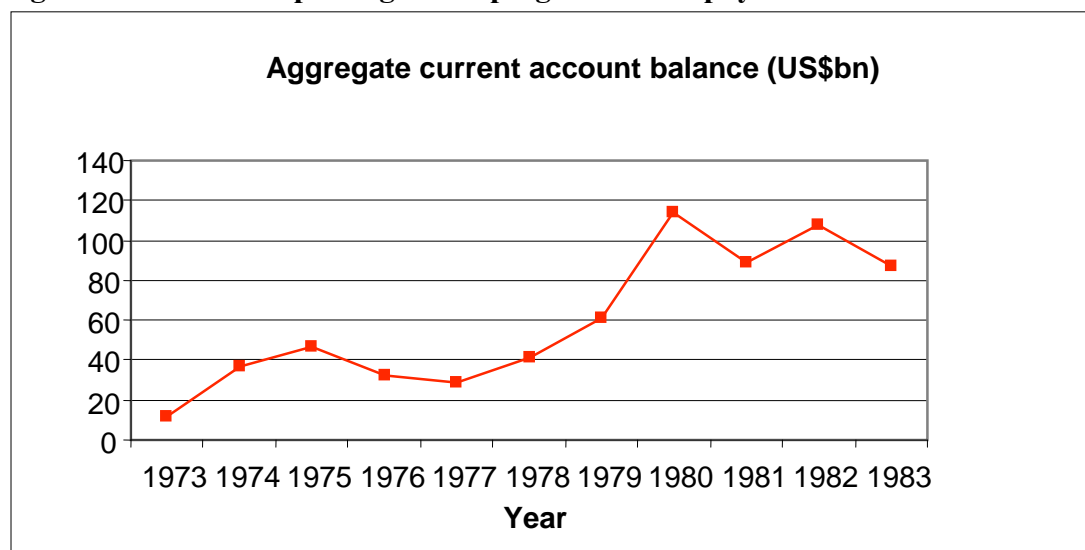
From the mid-1970s, the centre of gravity in the use of Fund resources shifted dramatically toward the developing world. This shift represented a major re-orientation in the work of the IMF, and through to the contemporary era lending arrangements with developing countries have continued to outnumber those with industrialised members (Barro and Lee 2005: 1247, Killick 1995: 14). This shift has been accompanied by rising disagreements amongst the Fund's major shareholders as to what parameters should be set regarding the Fund's engagements with this new group of constituents. Indeed, this contest is referred to by Boughton (2001: 644) as 'a battle for the soul of the institution'. These intra-shareholder disagreements revolve around appropriateness of the concessional provision of resources by the Fund and the tension between the Fund's expertise in the field of balance of payments correction and low-income countries' developmental needs.

The events of 1973 marked the beginning of what became a major refocusing of the lending activities of the IMF, when the Organisation of Petroleum Exporting Countries (OPEC) began to use oil as a tool of 'economic nationalism'. Over the course of the year, sanctions in response to the Yom Kippur War and more general supply limitations saw the price of crude rocket, rising fourfold over the closing three months of the year alone (Morse 1999, Weatherford and Fukui 1989). Owing to the difficulty faced by importing countries switching consumption away from such a vital commodity, current account deficits rapidly began to widen (see Figure 3.3). 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 percent to 2.7 percent (James 1996: 253-4). Although the US had been against the establishment of the Oil Facility because of the legitimacy and sustenance it was thought to provide to the OPEC action (James 1996: 316), the successful formation of a coalition to provide the necessary resources led to its opposition being overcome. The size of countries' access to the Oil Facility was calculated on the basis of a demonstrated balance of payments need, and resources were released without any monitored conditionality (Boughton 2001: 639, James 1996: 317).

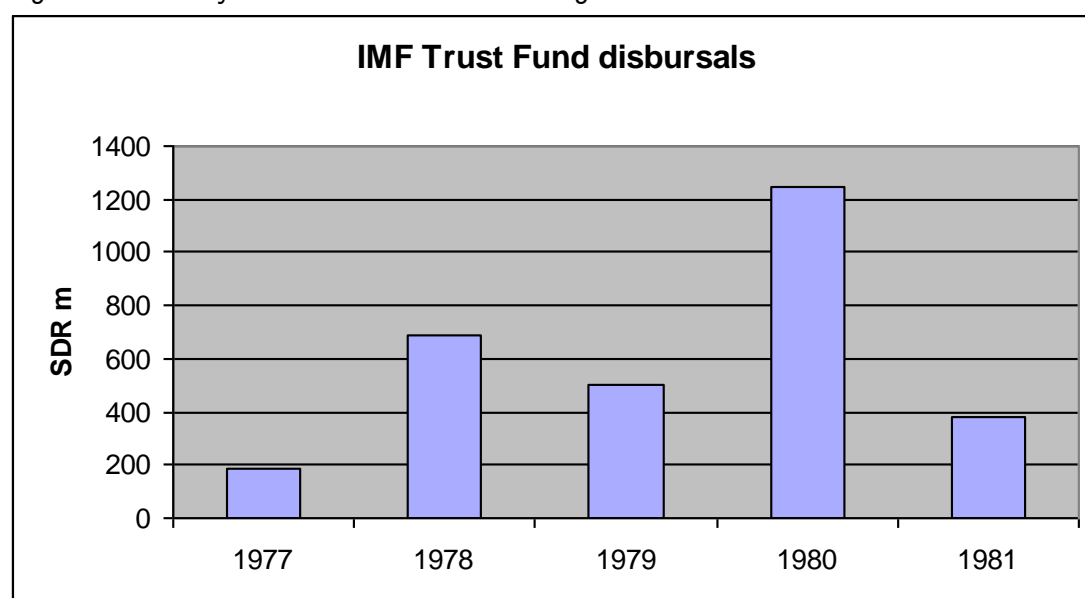
The practice of the Fund making conditionality-free concessional resources available to low-income member countries was deepened in 1977, with the opening of the Trust Fund. To a large extent, the Trust Fund was the outcome of a combination of serendipitous circumstances; a compromised solution to a 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.

Figure 3.3. Non oil exporting developing countries' payments deficit



Source: James 1996: 232

Figure 3.4. Early IMF concessional lending



Source: Boughton 2001: 639

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 address balance of payments crises in low-income countries, there was a growing understanding within the organisation that the conditionality-free route made available by these windows

might not represent an optimal solution. There was a growing belief amongst Fund staff 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. It was thought by staff that, to promote the heavy reforms that adjustment by development countries would entail, the one year ‘stand-by arrangement’ used to set the conditions of upper access limits to the GRA was too restricted. Consequently, an Extended Fund Facility (EFF) was set up. In order to access resources under the EFF, countries were required to outline a three year policy programme, and satisfactory performance was required for continued drawing rights. In terms of the content of the conditionality, EFF agreements represented a continuation of ‘business as usual’, with the macroeconomic expertise of staff informing the performance criteria (James 1996: 328-35, Schadler et al 1995: 3). According to Haggard (1985: 506):

Programmes under the EFF did not represent a sharp departure from the Fund’s traditional strategies for adjustment. Adjustment still relied on traditional instruments – the exchange rate and monetary and fiscal restraint – and the goal of short term stabilisation often took precedence over more difficult structural changes.

However, in 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 shareholders.

Disagreement between these shareholders and the IMF came into the public with the second oil shock, which occurred when the Iranian Revolution led to massive reductions in the output levels in this vitally important oil producing country. When the price rise hit in 1979, non-oil exporting developing countries’ payment positions spiralled dramatically (Figure 3.3). At a fraught Annual Meeting held in Belgrade in October of that year, the French Finance Minister René Monory and British

Chancellor Geoffrey Howe in particular pressured Fund management to ensure that Fund resources were made available to assist this group of countries. In a marked shift from the shareholders' previous support for tough conditionality, owing to what were perceived as crisis conditions Monory and Howe called for more relaxed access criteria. In their view, it would be unacceptable for the Fund's potential to help developing countries finance balance of payments emergencies be stymied through the imposition of programmes that countries were unable or unwilling to submit to (Boughton 2001: 561-2, 637). In the words of Howe:

Now that the rules governing conditionality have been liberalised, I hope that developing countries will find it acceptable to work closely with the Fund and exploit to the full the resources now available to help them overcome their problems (quoted in Boughton 2001: 561).

Pressure such as this from key shareholders at the time of the second oil crisis contributed to a major acceleration in Fund lending, concentrated amongst developing countries, and a marked easing in Fund conditionality from 1979 (James 1996: 340, Williamson 1983: 640-6).⁴⁷

The aftermath of the Belgrade Meeting shows the emergence for the first time of competing interpretations between key shareholders and the Fund regarding the appropriate goals of the IO in its interactions with developing countries. However, with the exception of the Trust Fund disbursements, the surge in lending largely bypassed the lowest income group of IMF members, who were unable to agree to the repayment terms of EFF loans (Barro and Lee 2005: 1248). It was with the launch of the Structural Adjustment Facility (SAF) in 1986 that the form of the Fund's

⁴⁷ Early evidence of the intra-shareholder disputes that would come to dog efforts to reform IMF engagements with low-income countries can be seen in the aftermath of this European pressure. In 1981 the US Executive Director called for a return to tough conditionality to counteract the perceived tendency toward 'more and more financing and 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 (quoted in James 2001: 565).

engagement with its lowest income country members began to be clarified. Although the IMF continued to present its lending engagements with low-income members as being driven primarily by concerns with external viability, key shareholders began to view the IO as shifting towards more of a long-term ‘development partner’ role. Whereas the European major shareholders acted to tie the Fund – and particularly the Fund’s financial resources – in to this role, the US in particular moved to ensure that the Fund remain within its ‘core areas of expertise’.⁴⁸ These contradictory pressures have, in recent years, led to a series of inconsistent reforms that have clouded the issue as to whether the IMF is or is not ‘in the business’ of development.

3.4. Throwing open the concessional lending window

Unusually for a major policy development at the IMF, the proposal to establish the SAF came directly from the shareholder level, with no prompting from the formal agenda or preliminary staff papers. At a meeting of the Interim Committee in the spring of 1985 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, whose needs were considered to be greater by the mid-1980s than they had been when the Trust Fund was established. 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

⁴⁸ Although it is difficult to precisely outline the groupings in the intra-shareholder disagreements, it is common to roughly categorise them as revolving around the ‘developmental’ Europeans and the ‘minimalist’ US. This cleavage has historical validity (Boughton 2001: 560-2), and several interviewees highlighted the tendency in particular of the UK and French Executive Directors, owing to these countries’ links to low-income former colonies, to bring broader concerns into reviews of Fund programmes and debates on policy reforms.

Board later that year served to consolidate significant trends within the Fund's engagements with low-income countries. Together, these changes have contributed to the emergence of intra-shareholder disputes as to whether the Fund is, and whether the Fund should be, a development focussed institution.

The SAF guidelines served to secure the position of the Fund as a provider of concessional finance, and to widen the practice of longer term arrangements. Whereas the Trust Fund and Oil Facilities had contained *ad hoc* mechanisms to reduce the lending charges levied on developing countries, through the SAF the Fund's ability to provide loans at a nominal 0.5 percent over the long term was formalised. In addition, it was agreed that arrangements under the SAF would be over a three year period, with semi-annual benchmarks used to assess performance and determine whether an agreement would remain active (Boughton 2001: 649, Garuda 2000: 1046).

More substantively, 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 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 and the attainment of a stable position in the world economy that had inhibited low-income countries' development 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,⁴⁹ and a series of regulatory reforms at the microeconomic level to stimulate enterprise on a local level. In line with this thinking, access to the SAF was made contingent of the agreement of a Policy Framework Paper, agreed between the

⁴⁹ Marketing Boards were commonly used by governments of low-income countries to maintain control external trade and monetary relations. Under Marketing Boards, domestic producers wishing to export were compelled to sell goods to the Board (IMF 2003: 103, Barber and Jeffrey 1986: 127-30).

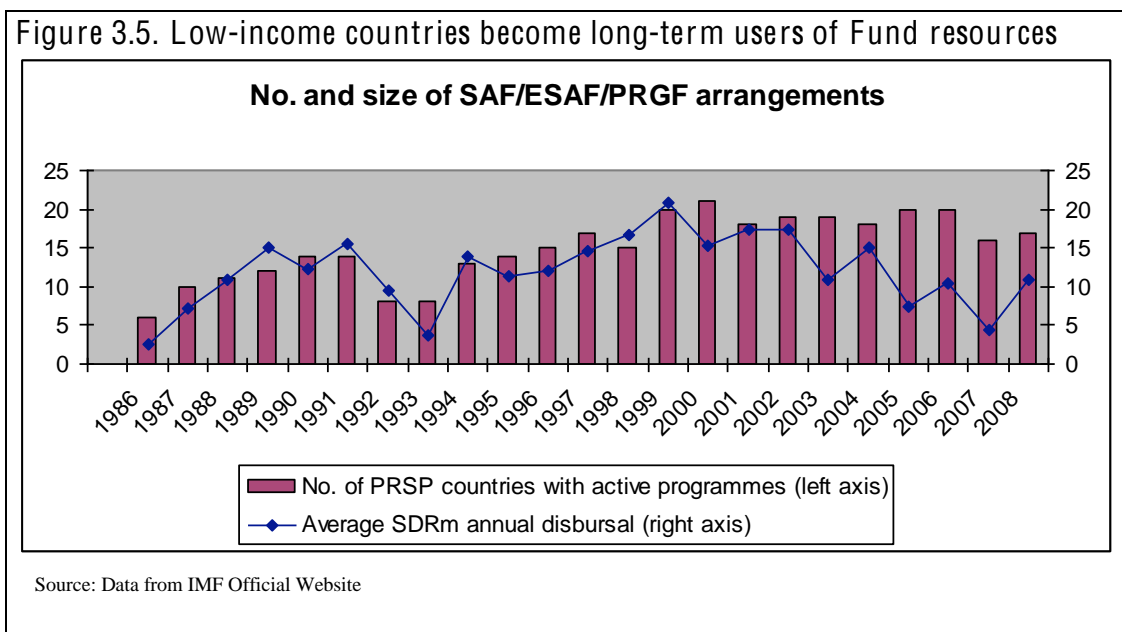
country authorities and the IMF, setting out both macroeconomic and structural policy objectives (Schadler 1995: 617, James 1996: 526). The final change that was enshrined within the SAF blueprint covered the overall objectives of SAF arrangements, and served to significantly muddy the waters as to the purpose of the Fund engagements with low-income countries. Whereas previously all Fund ‘upper tranche’ arrangements were made with the overall aim of fully solving a balance of payments problem over the lifetime of the agreement, SAF programmes had the less precise goal of ‘assuring substantial progress’ toward such a resolution (IMF IEO 2002: 34). In terms of the resources that were released through SAF agreements, after a cautious start the Fund’s access policy became more lavish. The first round of SAF arrangements that were agreed in 1986 allowed for drawings over the three years totalling no more than 47 percent of a member’s quota. However, due to an unexpectedly low take-up of SAFs by eligible countries the ceiling was rapidly raised first to 70 percent,⁵⁰ and then raised further to 250 percent when the Facility was ‘Enhanced’ to become the ESAF (Boughton 2001: 652, James 1996: 526).

These changes combined to constitute, in the eyes of many observers, a fundamental shift in the purpose of the Fund, from being a short-term crisis manager to being a long-term developmental partner (Mosley 2001: 597-600, Collier and Gunning 1999: 634, Pauly 1999: 402-3). This impression was heightened by the interchangeable treatment of the resources of the IMF, the World Bank, and bilateral donors within the Policy Support Papers that accompanied SAF and ESAF arrangements. Once an arrangement had in principle been agreed, the Policy Framework Paper was circulated amongst bilateral and other donors, highlighting the total contributions from the Bank and Fund and the remaining financing need of the

⁵⁰ Only countries that were eligible for World Bank IDA lending (i.e. the lowest income group of states) were declared eligible for SAF arrangements. When launched, this meant that the SAF was open to approximately 60 Fund members (Boughton 2001: 652, James 1996: 526).

policy programme outlined. The SAF and ESAF lending windows worked to tie the IMF into the world of economic development, as although the resources released by the IMF made up only a small proportion of low-income countries' overall funding need, through the 1990s most official bilateral aid was linked to the acceptance of IMF conditionality (James 1996: 527). For the lowest income countries, unable to access credit through the private markets, this elevated the importance their relationship with the IMF dramatically.⁵¹

Owing to their reliance on official credit, and the increasingly central role of the IMF as a conduit for these flows, a group of low-income countries rapidly became perennial users



of Fund resources. An analysis of the engagements of the group of low-income PRSP countries reveals this trend. Of the 24 PRSP countries, an average of 15 had active programmes in any given year between 1986 and 2008. The amount disbursed through these arrangements was relatively modest, at around SDR12.5 million.

⁵¹ The majority of SAF and ESAF eligible countries have never enjoyed access to private sources of finance. Indeed, in an interview with the author in late 2008 Jan-Kees Martyn, a Senior Economist in the Fund's Policy Development and Review Department, estimated that only five of the 78 PRGF eligible countries had access on affordable terms.

The issue of the conditionality attached to SAF and ESAF loans was from the start contentious, with a host of pressures combining on Fund staff to encourage them to treat the lowest income borrowers ‘lightly’. The initial pressure to ‘recycle’ the Trust Fund repayments was followed by both ‘cross conditionality’ pressures and a growing need for ‘defensive lending’, which all pushed the Fund to ensure that the flow of financing was continued. In terms of the balance between ‘hard’ and ‘soft’ conditionality, arrangements made by low-income countries through the IMF’s concessional window tended to have a disproportionate number of ‘soft’ structural benchmarks as opposed to ‘hard’ prior actions and performance criteria. Prior actions and performance criteria are quantitative targets that have to be met in order for drawings under an arrangement to commence or continue, whilst qualitative benchmarks are less absolute indicators that are taken into account by the Board when deciding whether a disbursement should be made. In addition to having relatively few qualitative targets in agreements, low-income countries under the SAF and ESAF were also granted waivers to allow continued drawings in spite of missed targets more often than other categories of Fund borrowers (IMF IEO 2002: 44-8). Indeed Michel Camdessus, the IMF Managing Director from 1987 to 2000, was explicit about the tendency to treat low-income countries favourably: ‘[When a borrower] is a poor developing country, then we try to give them the benefit of the doubt for as long as possible’ (Camdessus and Naim 2000: 41).

Despite the relative leniency of the Fund in its engagements with its lowest income borrowers, the arrangements reached under SAF and ESAF attracted growing amounts of criticism in the 1990s. Although Fund assessments found that SAF and ESAF programmes were conducive to growth and the correction of external imbalances (Schadler 1995, Schadler et al 1993), the methodological difficulty of

modelling the counterfactual to a Fund arrangement meant that it was difficult to draw definitive results (Bird and Mosley 2004: 304-7). Critical assessments of Fund programmes focussed on what was seen as an excessive reliance on demand compression to correct balance of payments issues, and an insufficient attempt to implement growth-orientated solutions (Killick 1995: 13, Helleiner et al 1991). In addition, a number of studies criticised the lack of attention by the IMF to the distributional effects of the adjustment programmes that they were supporting, particularly the effects on the poorest groups in countries with IMF agreements (Garuda 2000, Cornia et al 1987).

Notwithstanding the lack of conclusive evidence on the long-term growth and developmental impact of Fund programmes with low-income countries, in the mid-to-late 1990s a period of sustained and vocal criticism led to a sense of crisis enveloping these activities. High profile umbrella groups such as '50 Years is Enough' and 'Jubilee 2000' carried out vocal public campaigns criticising the IMF, and established groups such as OXFAM and even United Nations organisations such as UNICEF and the UNDP cast doubt on the broad developmental impact of Fund supported programmes. From 1995, it became common for the Annual Meetings of the IMF to be accompanied by public protests against the perceived impact of the Fund, with these criticisms later carrying over to meetings of the G7. The 1998 G7 Summit in Birmingham, UK, marked a watershed of such protests, when some 300,000 protesters joined hands around the meeting venue to highlight the problem of global poverty and debt (Best 2007: 87-9, Callaghy 2004: 6, Christiansen and Hovland 2003: 20). It is this sense of crisis surrounding the Fund's engagements with low-income countries that led shareholders to push for major reforms to the ESAF in 1999.

3.5. Dressing the concessional window, and also trying to close it a bit...

By the late 1990s, the sense of crisis surrounding the Fund had led the large quota holding states to reassess the role of the organisation. A clear cleavage was emerging between the key shareholders as to what the appropriate goals of the organisation's interactions with low-income countries should be. Though united in the belief that the Fund's engagements with this group of countries were in need of reform, the desired directions of reform were conflicting. On the 'minimalist' side, the US view was that the IMF's lending activities had taken them beyond its area of expertise, and they advocated a process of disentanglement from countries that had become long term users of concessional resources without enacting visible reforms. On the 'developmental' side, the European view was that although reforms were necessary to fine-tune the poverty and growth impact of Fund supported programmes, Fund expertise and resources should play a significant role in the policy environment of low-income countries.⁵² The existence of this cleavage, and its dialectic resolution over time, reveal important lessons regarding the politics of accountability in IOs.

Regarding the process by which shareholders' understandings of the appropriate role of their IO-agents are formed, the intra-shareholder disputes over the IMF's engagements with low-income countries illustrate the important role played by the broader social environment surround the IO. The consistent US opposition to the long term provision of concessional resources to low-income countries is, for example, influenced by the high attention paid by the legislature to the transfer of resources to the Fund and the lack of deeply institutionalised links with the

⁵² Interviews conducted by the author with Executive Directors and high level members of Staff at the Fund consistently confirmed the existence of this cleavage. In addition, IEO reviews of concessional lending (e.g. 2001, 2004, 2007a) commonly make coded references to unclear or inconsistent guidance from Board level. Indeed, in the report on 'The IMF and Aid to Sub-Saharan Africa' (2007: vii) the then IEO Director Tom Bernes spells this division out in uncertain terms: 'Fundamentally, the report finds differences of views among members of the Executive Board about the IMF's role and policies in low-income countries'.

organisation's lowest income members, whereas the weaker oversight pressures and the embedded links with former colonies have led to converse tendencies within a grouping of European shareholders.⁵³ As a result of these disputes, the formation of coalitions with control over resources has been an important determinant of reforms to the Fund's engagements, with the direct provision of finance providing shareholders with the means of 'outmanoeuvring' the organisation's largest quota holder. In addition, the ongoing attempts of large quota holders to enact changes in the activities of the IMF reinforce the importance of overcoming information shortages within the politics of shareholder accountability.

Previous to the ESAF reforms in 1999, distributional concerns had never figured prominently on the IMF agenda when planning low-income borrowers' adjustment programmes. The proclivity of Fund staff to deal in aggregated data is well established (Gutner 2009, Barnett and Finnemore 2004: 65), and the internal reviews of the organisation's concessional lending followed this format. Published in 1993, the first major Fund review of its experiences with SAF and ESAF assessed the progress made by countries under SAF and ESAF programmes toward attaining external viability, and the impact of programmes on domestic growth was also examined. In answer to the question as to whether a return to external viability came through an excessive restraint of domestic demand and therefore at the expense of longer term growth and investment, the report concluded that the impact of programmes on these indicators had been generally favourable (Schadler et al 1993). For staff, it has traditionally been held that Fund programmes should focus on enabling a stable environment to emerge within which the size of the 'economic pie'

⁵³ These conflicting pressures were suggested during interviews with representatives from the US, UK, Africa Group I, and Africa Group II Offices at the IMF, and by Jon Sanford of the Congressional Research Service and Chad Dobson of the Bank Information Centre.

can be maximised: who gets what has largely been seen as a matter for domestic policy processes (Garuda 2000: 1031).

It was at the 1998 G7 Summit in Birmingham that, under the leadership of the then UK Chancellor Gordon Brown and Secretary of State for International Development Clare Short, the ‘developmental’ shareholders began to push the IMF to focus more on distributional concerns, and in particular to institutionalise a more poverty reduction focussed approach (Christiansen and Hovland 2003: 16). The prominent announcement in the Birmingham Communiqué of the G7 commitment to reform multilateral institutions so as to promote ‘sustainable economic growth and development throughout the world [to] enable developing countries to grow faster and reduce poverty’ is evidence of this shift. The report of the finance ministers to the summit in Cologne the following year shows a strengthening of the ‘developmental’ position within the G7. Referring to the need to reform IMF concessional lending practices, the report urges that:

[Engagements with low-income countries] should be built upon an enhanced framework for poverty reduction... We call upon the IMF to develop by the time of the Annual Meeting specific plans for such an enhanced framework for poverty reduction (paragraphs 4-6).

The staff paper produced in response to this G7 call provided details of possible reforms to improve the poverty reduction focus of the Fund (IMF 1999), and by the close of the year the reincarnation of the ESAF as the Poverty Reduction and Growth Facility had been announced.

The terms of access to the Fund’s reformed concessional lending facility marked a dramatic change with the past practices of the organisation. Although it remained necessary for countries to demonstrate a balance of payments need, access was made conditional on producing a Poverty Reduction Strategy Paper (PRSP). The past ambivalence of Fund staff to distributional concerns appeared to have been

spectacularly discarded, as the guidelines on PRSPs called for programmes with an optimal impact on poverty to be included:

Poverty reduction strategies will identify the priorities for public action that will have the greatest impact on reducing poverty. They should contain systematic and participatory analyses of poverty, short- and long-term tradeoffs of alternative policy decisions, and the impact of proposed reforms on the most vulnerable social groups (IMF & World Bank 1999: paragraph 2).

The new 'poverty reduction turn' of the IMF was also marked by a series of speeches and articles highlighting the concern of the Fund in promoting poverty reduction (e.g. Camdessus 1999, Boorman 2000).

In terms of the way in which it presented its activities to the outside world, changes in the Fund in 1999 marked a minor revolution. The success of 'developmental' shareholders in linking demands to reform the ESAF to the provision of financing for the extension of IMF debt write-off provided these shareholders with significant leverage, and the 'legitimacy crisis' experienced by the Fund increased its receptiveness to moving beyond its established operating procedures. However, these shareholders soon found that pushing the IMF to 'talk the talk' of poverty reduction was much easier than making it 'walk the walk'.

When attempting to push through changes in the operations of an IO-agent, information shortages often hamper the extent of principals' success (Lake and McCubbins 2006: 347-9, Martin 2006: 145, Worsham and Gatrell 2005: 366). For the 'developmental' shareholders at the Fund, the IMF's Independent Evaluation Office provided a valuable bridge over this problem. From the time of its establishment in 2001, many of the IEO's reports have provided shareholders with insights into the IO's behaviour that have increased their ability to push the Fund to foreground poverty reduction in its engagements with low-income countries. IEO reviews of the Fund's concessional lending activities have consistently highlighted the need for

shareholder states (acting through the Board) to set out the operational changes they wish to see from IMF staff in a detailed and monitorable manner.⁵⁴ However, although they have identified potential pressure points for the ‘developmental’ shareholders to push in order to fine tune the poverty reduction and growth aspects of Fund engagements with low-income countries, IEO reports have not succeeded in reducing intra-shareholder disputes.

The key findings from the IEO’s review of the first five years of the PRGF highlighted the need for greater clarity regarding what was expected of the IMF in shareholders’ calls for Fund supported programmes to be more poverty reduction focussed (IMF IEO 2004: vii). The report is also candid about the shortage of knowledge as to how the Fund could improve the growth and poverty reduction prospects for low-income countries:

Since the evaluation is about how the IMF can help countries improve their prospects for growth and poverty reduction, it is worth emphasizing at the outset that knowledge of the links between policies and growth remains limited and understanding of the links between policies and poverty reduction even less so (2004: 17).

At the country-specific level, the IEO criticised the lack of integration by Fund staff of ‘poverty and social impact analysis’ (PSIA) into the design of adjustment programmes (2004: 43). Indeed, an earlier report on *Aligning the PRGF with the PRSP Approach* suggested that a combination of insufficient capacity at both the Fund and country level meant that PSIA of the core structural and macroeconomic content of arrangements with low-income countries appeared to have become a long term aspiration rather than an established operating practice (IMF IEO 2003: 9-14).

⁵⁴ Indeed, the IEO’s first Periodic Monitoring Report (PMR) explicitly suggests that the Board should set out clear monitoring systems to track desired changes in Fund practices (IMF 2007: 6). PMRs evaluate the progress made by the IMF in implementing operational changes recommended by the Board.

The recent IEO review of the IMF's operations with sub-Saharan African countries was more overtly critical of the shortcomings of the Fund's mainstreaming of a growth and poverty reduction oriented approach. The report also makes clear the continuing difficulty of enacting change in the organisation. In the terms of its criticism, the IEO was unusually blunt:

Lacking clarity on what they should do on the mobilisation of aid, alternative scenarios, and the application of poverty and social impact analysis, IMF staff tended to focus narrowly on macroeconomic stability, in line with the institution's core mandate and their deeply ingrained professional character (2007: vii).

The report goes on to examine specific issues that the IEO suggests that the Board could issue guidance on with a view to increasing the growth and poverty focus of adjustment programmes, notably the accommodation of additional aid inflows and the PSIA of key reforms. When examining the accommodation of aid inflows within PRGF arrangements, the report concluded that staff continued to use a country's reserve position rather than absorption capacity to determine how increased flows are treated. For countries with reserves under 2.5 months of imports, the absorption rate of incremental aid allowed under PRGF agreements was 'virtually zero', whereas for those above the threshold the programmed absorption of aid averaged 100 percent (2007: 7-8). Regarding PSIA of key reforms, the IEO noted that: 'Going forward, close management of PSIA is needed to prevent them from becoming a bureaucratic requirement with little impact on programme design' (2007: 17).

The staff response to the IEO criticism illustrates the difficulty of designing and enacting changes in the organisation's behaviour. In relation to the handling of increased aid inflows, the response rebuffed the IEO suggestion that the absorption capacity of low-income countries was being underutilised:

Under the PRGF, securing macroeconomic stability and limiting financial vulnerabilities continue to be the primary objectives of programme design, in

part by building up a prudent resource buffer. While countries are establishing stability, full spending and adsorption may not be the best path to sustained growth and poverty reduction (IMF IEO 2007: 80).

Turning to PSIA, the response makes it clear that staff view this type of detailed distributional analysis as outside of the expertise of the organisation. Indeed, it is not difficult to detect an element of ‘passing the buck’ to the World Bank in the response:

Fund staff is not responsible for conducting PSIA... There may still be scope for enhancing coordination with the World Bank on the use of PSIA on programme design. In this context, we would note that the finding that Fund staff considered that the Bank did not always provide timely and quality PSIA points to the initial lack of clarity on the role of the Bank (IMF IEO 2007: 80).

Through their response to the report’s findings in these key areas, the IMF staff were in no uncertain terms using their position of expertise to challenge the suitability of the IEO’s suggestions. The position of the Executive Board following their discussion of the report shows that the staff were generally successful in ‘defending their turf’.

After consideration of the IEO report and the staff response, the Board did not issue new guidance on the issues of aid accommodation and the use of PSIA. By so doing, they ensured that the expertise of IMF staff would continue to determine outcomes. On the former, the Acting Chair’s summing up concludes that:

Directors confirmed the importance of accommodating higher aid flows through higher spending and net imports, providing this would not jeopardize macroeconomic stability. They considered that this approach should continue to be implemented on a case by case basis (IMF IEO 2007: 88).

On the question of PSIA, the Board position was similarly in line with the view expressed by staff:

Most directors confirmed that distributional policies generally lie outside the Fund’s core mandate and that PSIA should be conducted by other agencies in the context of the PRSP process (IMF IEO 2007: 88).

The summing up of the discussions within the Board Meeting also reveals the continuing intra-shareholder disagreements over the role of the Fund.⁵⁵ Rather than resolving these tensions, the conclusions from the Board discussions simply meant that disagreements would continue to occur as and when issues arose within the context of specific country arrangements. However, the IEO's findings served to provide key insights with which 'developmental' shareholders could challenge Fund staff on the conditions attached to PRGF arrangements.⁵⁶

In contrast to the efforts of the 'developmental' shareholders to foreground the issues of poverty reduction and growth in Fund supported programmes, a group of advocates of a 'minimalist' IMF, led by the US, have since the 'legitimacy crisis' moved to pare back the extent of the Fund's engagements with low-income countries. The major success of the 'minimalists' has been the formation of a clear exit strategy for countries with a long term reliance on the use of Fund resources. This highlights the negative feedback cycle of IO monitoring at the Fund: on the one hand, 'developmental' shareholders are pushing for a greater poverty reduction focus in the use of Fund resources in low-income countries, on the other 'minimalists' are pushing for the disentanglement of the Fund from lending to low-income countries.

The pressures that can lead to low-income countries becoming long-term users of Fund resources have long been recognised. As was noted above, because of its engagements through the SAF and ESAF, the IMF through the 1990s became an important 'gatekeeper' of development finance. Countries that were dependent on

⁵⁵ The Board Chair's Summing Up notes that the Directors 'offered a ranged of views' on the appropriate role of the Fund in relation to a range of aid issues, and that on PSIA agreement was not unanimous but rather had been reached by 'most of the Board' (IMF IEO 2007: 88-9).

⁵⁶ The Office of the UK Executive Director, for instance, continues to press Fund staff both informally and at Board Meetings when either the UK Department for International Development or low-income country governments with whom the UK has a close relationship raise what they see as problems with the policy conditions attached to loans. In this process the findings of the IEO are often drawn upon. Information supplied by Joe Thornton, Senior Economic Advisor in the Office of the UK Executive Director, in an interview with the author.

official sources of financing often found that donors insisted on their having the IMF's 'seal of approval'; the existence of an ongoing Fund arrangement was generally the most easily 'legible' proof for a low-income country that it had the organisation's blessing (IMF 2004: 24). Accordingly, a tendency for low-income borrowers to become perennial users of the Fund's concessional window developed.

As was the case in relation to 'developmental' shareholders outlined above, the IEO played an important role in bridging the information shortages of the 'minimalist' shareholding principals. The IEO's maiden report focussed on the prolonged use of fund resources, providing a definition of 'prolonged users' as countries who in a ten year period had active arrangements for seven or more years. The report also revealed the extent of prolonged use through the Fund's concessional window: over the period 1971-2000, some 40 percent of countries eligible for concessional lending were prolonged users (IMF IEO 2002: 9). The unclear implications of linking access to the Fund's PRGF to the long term developmental plans of low-income countries (in the form of a PRSP) is also noted in the report:

PRSPs are meant to provide a longer-term framework for donor support to low-income countries. This framework does not presume an extended IMF involvement, but it does not rule it out, thus generating some ambiguity (IMF IEO 2002: 34).

Owing to intra-shareholder disagreement as to whether prolonged use by low-income countries should in fact be labelled as a problem in need of remedial action (IMF IEO 2002: 221), the IEO report was not met with a decisive Board response. However, the report served to entrench the view of 'minimalist' shareholders that Fund engagements with low-income countries needed to be significantly reformed.⁵⁷

⁵⁷ Interviews with Executive Directors, Alternate Executive Directors, and their Advisors confirmed that IEO reports provided a valuable source of 'monitoring' information.

The launch in 2005 of the IMF's Policy Support Instrument (PSI) marked a strong attempt by shareholders advocating a reduced role for the Fund in low-income countries to clarify the organisation's role. The PSI was designed specifically so that low-income countries that needed to signal the IMF's approval to bilateral and multilateral donors could do so without holding lending arrangements. Through the PSI, regular assessments are made by the IMF Board of a country's policies and an ongoing dialogue is maintained between staff and country authorities, but it is a non-borrowing programme (Taylor 2006). Although for numerous reasons the IMF long eschewed the role of international 'credit rating agency' (IMF 2004), through the PSI the organisation now provides an endorsement of low-income countries' policy environments in the absence of lending commitments. It is commonly held within the Fund that the key moment in the emergence of the PSI was the shifting of US support in its favour in 2004.⁵⁸ By putting in place a clear exit strategy with which borrowers can 'graduate' from the PRGF without losing access to the Fund's policy advice and signalling endorsement, the PSI represents a significant success for shareholders advocating a 'minimalist' view of the Fund's engagements with low-income countries. As of June 2009, six countries had graduated from low access PRGF loans to the PSI.⁵⁹

Reforms to the Fund's concessional lending window over the past decade have both been driven by and have exacerbated divisions amongst major shareholders. Shareholders remain divided by competing conceptions of the organisation's appropriate role in low-income countries. The contradictory developments since the launch of the PRGF are symptomatic of this division, whereby efforts were both made

⁵⁸ This interpretation was given by John Hicklin of the IEO and Joe Thornton of the UK Executive Director's Office in interviews with the author. The US Executive Director and Alternative Executive Director made their support for the PSI clear in interviews with the author.

⁵⁹ See IMF Official Website, Factsheet – The Policy Support Instrument, available at <http://www.imf.org/external/np/exr/facts/psi.htm>.

to ensure that Fund resources were better focussed on long term poverty reduction, and to ensure that the processes were in place through which countries disengage from the use of concessional resources.

The continuing existence of this cleavage can be seen through the tendency of advocates of the ‘developmental’ and ‘minimalist’ Fund to outline their position in contradistinction to each other, as can be seen through the following two examples. First, the US Executive Director outlines her view of the appropriate role of the Fund using a European foil:

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, you’d get a different impression...⁶⁰

In a similar manner, a Senior Advisor in the UK Office explains his understanding of the Fund’s role, namely that it is inextricably linked to broader developmental concerns, in opposition to the US position:

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. It’s not possible: the two are inseparable. We try to ensure at the least that Fund programmes don’t conflict with the long term objectives of countries we have an interest in.⁶¹

The recent announcement by the Fund that access limits through the PRGF window would be doubled (Broome 2010), made as a rider to the G20 London Summit focussing on the financial crisis that erupted in 2008, shows that the tensions between the organisation’s major shareholders continue to be felt.

⁶⁰ Meg Lundsager in an interview with the author, December 2008.

⁶¹ Joe Thornton in an interview with the author, December 2008.

3.6. Conclusion

The politics of shareholder accountability in IOs is at heart about the contests to define what the appropriate role of an IO is, and to attempt to ensure that the IO effectively performs this role. The politics of shareholder accountability surrounding attempts to reform the IMF's engagement with low-income countries remain dominated by two issues. The first issue is that, under the influence of different external factors, there is a major intra-shareholder cleavage over the appropriate role of the Fund with this group of countries. Although both groups are united in agreement that significant reforms to Fund operations are necessary in order to reduce conflict between the policy programmes supported by the Fund and the developmental needs of low-income countries, contrasting solutions are put forward. The actions of the 'developmental' shareholders in pushing the Fund in a poverty reduction direction with the ESAF reforms in 1999 and the recent doubling of PRGF access limits have occurred simultaneously with the moves by advocates of a 'minimalist' Fund to extricate the organisation from lending to the lowest income group of countries. The second issue concerns the importance of information in designing and enacting change in an avowedly 'expert' IO such as the IMF. In this case, the Fund's Independent Evaluation Office provided both 'minimalist' and 'developmental' shareholders with key informational resources with which to push for the Fund along their favoured path of reform. Although the divisions at Board level precluded the emergence of unambiguous directives from 'on high', the IEO nevertheless assisted shareholders' perusal of their aims on an informal and on a case-by-case level.

The contemporary operations of the IMF have been surrounded by a negative feedback cycle of IO monitoring. Disagreements between shareholders have led to

divergent pressures for reform being placed on the Fund, and contradictory reforms have led to continued disagreements. Key features of the IMF's 'world' increase the likelihood that this pattern will continue over the medium term, most notably a surprising lack of clarity as to what constitutes a balance of payments problem. For the lowest income PRGF eligible countries, deep impediments to growth mean the current account deficits will very likely remain a persistent problem. Evolving understandings of where the line lies between problems of 'development' and problems of 'balance of payments' will both determine and be determined by the politics of reforms to the IMF's engagements with low-income countries.

In chapter six, the implications of the ambiguous goals of the PRGF on the prospects for cosmopolitan governance are reflected on. Particular focus is placed on the intersection of this ambiguity and the degree of policy space that is left open for the democratic self-steering of low-income country populations. However, before this issue is examined, chapters four and five turn to investigate the politics of stakeholder accountability at the World Bank and IMF. The insights of these chapters, too, provide important insights that contribute to debates on the prospects for cosmopolitan global governance, which are drawn together in the concluding chapter of the thesis.

Chapter Four – The World Bank and the Reconstruction of Stakeholder Accountability

4.0. Introduction

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 (James Wolfensohn, World Bank President, 1999).

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

Unlike the relationship of shareholder accountability examined previously, which is deeply institutionalised in the formal structure of the Bank and whose parameters are broadly accepted, stakeholder accountability is surrounded by elemental contests. Outside the Bank, assessments of existing practices vary widely: from NGO and academic critics, the charge is repeatedly made that the organisation is ‘undemocratic’ and unresponsive to the constituents whose needs it professes to serve (e.g. Lazarus 2008, Fraser 2005, Grusky 2000), while a common complaint from borrowing country governments is that, by engaging *too closely* with domestic interest groups, the Bank is not respecting their sovereignty.² Meanwhile, within the Bank diverse views exist as to what form the operational interactions with borrowing country populations should take (Bebbington et al 2004). To navigate a path through such opposing views, it is necessary to go ‘back to basics’ regarding the politics of shareholder accountability. It is only by examining the power structures through which stakeholder accountability relationships develop and change that we are able to gain a comprehensive insight into the issue at the Bank.

¹ Interview with the author.

² Several World Bank staff noted in interviews that this charge is most commonly made ‘behind the scenes’ by government officials to their counterparts in the Bank.

In contrast to the shareholder accountability relationship, which was characterised by a stable principal-agent arrangement, a core focus in the examination of stakeholder accountability is on the construction of the relationship between the Bank and its in-country 'stakeholders'. Although the formal structure and mandate of the Bank shaped the contours around which stakeholder accountability relationships have developed, over recent decades the mode of interaction surrounding both project and policy lending has been transformed. The intersection between external and internal advocates of particular models of shareholder accountability has played a key role in introducing and embedding change in this area, and access to material resources has acted to accelerate the process. Under the pressure of these forces, the politics of stakeholder accountability have undergone a series of dramatic transformations. From an initial condition of severely restricted delegated accountability, stakeholders in low income countries are beginning to have access to a more direct accountability relationship through the Bank's project lending. Additionally, through its policy based lending the Bank has moved to significantly reconstruct stakeholder accountability *at the domestic level* as being an integral component of economic development. This change marks a sharp break by the Bank with its historical practice, whereby a concern to remain 'apolitical' had limited the degree to which attempts have been made to influence domestic processes. At the Bank, an internal cleavage over the desirability of this 'participatory turn' remains, but the support of key constituencies inside and outside the organisation suggests that the focus on stakeholder accountability as an integral part of governance reform is likely to continue.

The chapter proceeds according to the following structure. The opening section examines the processes by which relationships of stakeholder accountability

are developed in arenas of global governance. Rather than simply presupposing the existence of a ‘natural’ or ‘gold standard’ ideal type against which to measure the performance of IOs, I concentrate on uncovering the practices through which stakeholder accountability relationships are constructed and re-constructed. This approach allows for a comprehensive understanding of the contemporary dynamics of stakeholder accountability at the Bank to be put forward. In the second section I review the institutional characteristics of the Bank that influenced the initial genesis of a delegated form of stakeholder accountability, and outline the factors that led to this structure being slowly challenged. Through the third section of the chapter I outline the mechanisms of participatory accountability that have developed within the Bank’s project based lending, and show that over time a range of stakeholders have been identified and incorporated into accountability structures. In the fourth section I track the evolution of stakeholder accountability that has taken place under the rubric of policy based lending. Significant moves have been made to re-frame stakeholder accountability at the domestic level as being a prerequisite of economic development, and innovations in the lending instruments available to the Bank have served to provide 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 accountability 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 the chapter draws together the lessons learnt regarding the politics of stakeholder accountability at the World Bank, and highlights the key points that are returned to when the intersection of the politics of

accountability and work on cosmopolitan global governance are turned to in the closing chapter of the thesis.

4.1. Stakeholder accountability at the global level

Accountability is a relationship most commonly analysed at the domestic level, and is often held to be a defining component of a democratic polity (Flinders 2001). Within academic works, the ideational dominance of a ‘Westphalian’ notion of state sovereignty acted to restrict interest in the intricacies of global structures of governance: indeed, the field of international studies is said to have established ‘a conceptual firewall between domestic and international politics in which democracy is confined to the domestic realm’ (Caporaso 2003: 361). However, pushed by a growing acceptance of the importance of multiple and overlapping sites of authority in the contemporary global economy, in recent years the level of focus placed on political processes beyond the state level has increased. International organisations in particular have attracted a large amount of attention, including much work that is heavily critical of their lack of accountability to the domestic populations directly affected by their actions.

A common approach taken by critical appraisals has been to set out an ideal standard of democratic accountability, and to assess the performance of IOs against this yardstick. Sometimes the ideal is laid out explicitly, although often assessments are made with the somewhat vague assumption that ‘real’ power should be in the hands of stakeholders with a direct interest in the operations of a given IO. Following this analytic framework, works have emerged ranging from broad calls for the incorporation of models of ‘cosmopolitan democracy’ into the structures of IOs (e.g. Dahl 1999, Held 1995), to critiques of the operational performance of particular IOs

(e.g. World Development Movement 2006, Grusky 2000). Although such works justify their value in terms of the pressure they exert on IOs to improve existing mechanisms of stakeholder accountability, a number of recent analyses have challenged the assumed efficacy of this approach. Within this strand of work it is common for the attempts to apply a ‘gold standard’ of stakeholder accountability to be dismissed as misguided or even damaging to attempts to reform IOs: rather, the favoured approach is to focus on elucidating the intricate processes through which accountability relationships are formed and re-formed. (Philp 2008: 45, Grant and Keohane 2005: 41, Moravcsik 2002: 621).³

In contrast to idealistically driven analyses, the more pragmatic accounts recognise the potential legitimacy of several different structures of stakeholder accountability at international organisations. Rather than holding the legitimacy of accountability structures to be a ‘natural’ property possessed only by an ideal type, legitimacy is seen to be conferred by an intersubjectively held consensus between the decision-making authority and the stakeholders (Shearer 2002: 543, Ezzamel et al 2007: 167). Depending on the form and function of particular IOs, it is equally possible that a ‘delegated’ or ‘participatory’ model of stakeholder accountability could emerge as the preferred structure. The general types differ according to who is given the direct capacity to hold the powerful accountable: with the delegated model those who entrust the IO with its responsibilities have this capacity, with the participatory model it is those who are affected by the activities of the IO (Grant and Keohane 2005: 31).

³ By questioning the appropriateness of any ‘true’ or universal standard, and instead grounding their research in an attempt to increase our ability to exercise ‘control’ in the Deweyan sense (see Cochran 2002: 527), these latter works accord well with the pragmatist spirit that underpins this research project.

By conceiving of stakeholder accountability as a fluid, contestable relationship, the conceptual space in which to investigate sources of stability and change is opened up. Accountability is viewed at a fundamental level as a socially constructed relationship: both the form of the relationship and range of actors involved in the relationship is open to contestation. The claims of stakeholders that they are entitled to a direct accountability relationship must be broadly accepted within the IO's social environment in order for such institutional mechanisms to be established and sustained (Shearer 2002: 544). In the world of IOs, with blurred lines of causation and responsibility, the establishment of such a consensus can be particularly challenging. However, over recent decades NGO advocates have become increasingly successful in combining general critiques of operational practices with high profile campaigns focussing on specific examples of 'worst practice' to highlight the plight of groups that have been negatively impacted by IOs' actions (Fox 2000: 304, Keck and Sikkink 1998: 199-201). In this way, NGOs have at times played a prominent role in the construction of 'stakeholders' to IOs' activities, and have fought for institutional appendages with which to enable a more participatory model of accountability.

Despite this over-arching malleability, institutional contexts can make the parameters of the stakeholder accountability relationship more-or-less 'sticky': organisations with highly formalised, legally-based accountability structures tend to exhibit greater evidence of continuity over those that rely more heavily on informal, interpersonal relationships (Page 2004: 592). Within these boundaries, the process of change is shaped by emerging 'discourses of accountability', whose success relies on the extent to which they cohere with the beliefs and experiences of actors both inside and outside the IO (Ezzamel 2007: 167). Radical periods of change often rely on the

successful forging of alliances between groups within the IO and external advocates, and access to material resources can also play a key role (Francis and Jacobs 1999, Aycrigg 1998). Although ideas matter, sources of funding help a great deal to encourage and enable IO staff to embed new practices of stakeholder accountability.

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 accountability. The lines of accountability to stakeholders 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).⁴ 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, NGO 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 accountability mechanisms embedded in their operations (Keck and Sikkink 1998: 24-5, 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 accountable to stakeholders (Nelson 2000: 413). Together, these developments have helped to shift the broad understanding of the appropriate form of stakeholder accountability mechanisms away from an acceptance of distant delegated forms and towards a more directly participatory model.

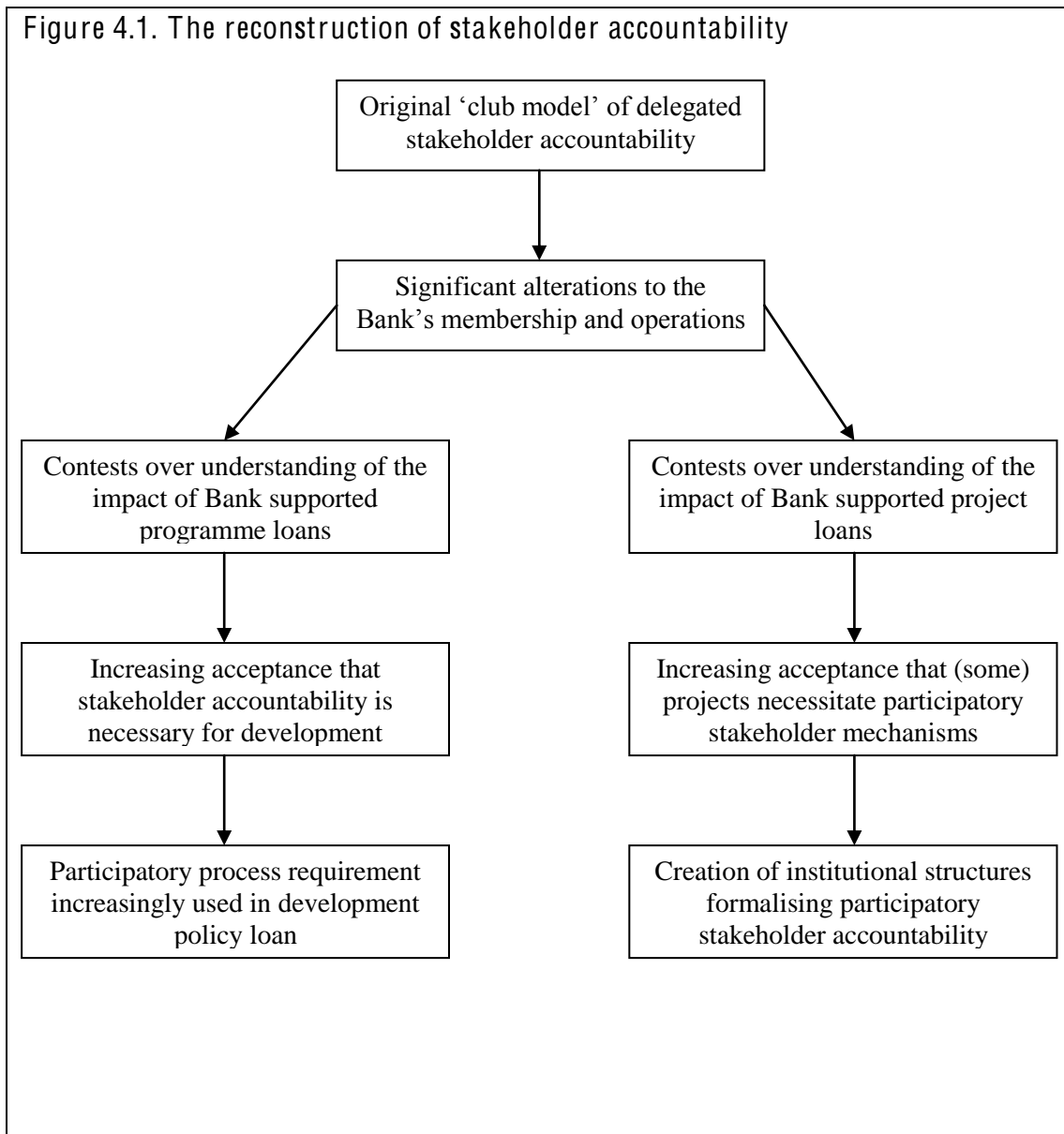
⁴ Keohane and Nye characterise this early period as following the 'club' model of IO accountability, whereby regimes for trade and monetary stability operated exclusively at the elite level in a manner that was 'largely invisible to publics' (2000: 2).

In common with the case of shareholder accountability previously examined, periods of crisis play an important role in catalysing major developments in the politics of stakeholder accountability. When a concerted challenge is presented to the established means through which IOs construct their legitimacy, a recurrent IO response is to profess a desire to re-engage with stakeholders and foster institutional learning (Lazarus 2008: 1216). In the case of the Bank, crisis did indeed play a significant role in fostering change through the mid-1990s; however, for the deeper dynamics to be fully grasped it is necessary to investigate the evolution of stakeholder accountability within the organisation over the longer term. As the following sections of the chapter make clear, the form of stakeholder accountability at the Bank has evolved following the complex interplay of deep-rooted ideational change, internal and external alliance building, and the use of material incentives.

The process of change in the relationships of stakeholder accountability surrounding an IO commonly takes place through a nuanced, multi-track series of events. Multiple forms of stakeholder accountability can emerge that, although subject to similar pressures, have the potential to continue to evolve according to distinct paths. Such multiple accountability practices have developed at the World Bank, whereby different operational strands have led to two identifiable trends within the politics of stakeholder accountability. Figure 4.1 provides an overview of this process, centred on policy- and project-based lending.

As the following sections show, the initial creation of a delegated ‘club model’ of stakeholder accountability left a deep impression on the Bank, not least for the ‘apolitical’ self-image that developed amongst the staff of the organisation. For many years this structure remained largely unchanged, until eventually a tipping point was

Figure 4.1. The reconstruction of stakeholder accountability



reached following increasing levels criticism of the Bank's lending projects. NGOs played a key role in highlighting the negative impact of Bank supported projects as an issue requiring attention, which eventually led to a series of institutional and operational changes at the Bank that formalised a structure of participatory stakeholder accountability, albeit on a limited scale. In addition to this path of change, major reforms also occurred in relation to the policy lending 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 accountability at the domestic level as a necessary component of sustainable development has been operationalised within 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.⁵ 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 accountability relationships between low income country governments and populations will remain embedded within the Bank's policy based lending operations.

4.2. The World Bank and delegated accountability

The formal structure and mandate of an IO leaves a deep impression on its accountability mechanisms, and can cast a long shadow over their evolution even at much later stages in the life of the IO. It is for this reason that it is necessary to begin the examination of stakeholder accountability relationships at the Bank by going back to the early history of the organisation. When the Bank was established in the mid-1940s, mechanisms of stakeholder accountability were 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

⁵ The term 'process conditionality' is used by Lazarus (2008: 1216) to refer to the requirement that low income countries' Poverty Reduction Strategy Papers be formed after broad in-country consultation.

of economic development, there were few ideational challenges to the model of delegated accountability that underpinned the Bank's approach. Although pressures to engage more directly with stakeholders did emerge in later years, the pattern laid out in the early years continues 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.⁶ 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 accountability 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,⁷ 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,

⁶ 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, United Kingdom, 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>.

⁷ 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>.

flowing from on the ground actors, up to their domestic representatives, and in turn up to the relevant Bank Directors (Woods 2001: 84-5).

The state-centric, delegated model of stakeholder accountability 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 accountability. 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.⁸

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.x 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.⁹

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 the politics of stakeholder accountability at the Bank have developed.

A second feature of the Bank's structure that served to secure the delegated model of stakeholder accountability came from its physical location. The Bank's

⁸ 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>.

⁹ See previous footnote.

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: 37-8, 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 shake-ups have been carried out throughout the lifetime of the Bank,¹⁰ it was much later, during Wolfensohn's tenure as President, that a concerted attempt was made to increase the proportion of staff based permanently in borrowing countries (Neilson et al 2006: 123).

A final aspect of the Bank that from the outset restricted the effectiveness with which the delegated model of stakeholder accountability could function – and insulated the IO from demands to reform its stakeholder accountability mechanisms – 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 CAS document was made publicly available (Fox and Brown 2000: 516, Vianna 2000: 466-7, World Bank 1994).¹¹

¹⁰ 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).

¹¹ 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/EXTINFODISCLOS>

The restriction of stakeholder accountability 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 worked to restrict the ability of domestic populations in borrowing countries to access discussions over projects. This trend was particularly the case in the lowest income countries that joined the Bank through the 1960s,¹² amongst whom weak administrative capacity meant that even governments often had a negligible ability to influence project design. Rather than developing plans in partnership, it was in fact common that staff would seek out borrowers willing to take on Bank-designed projects (Kapur et al 1997: 36, Lancaster 1997: 162). 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 1971: vi).

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 1970s the number of full time staff employed by the Bank multiplied almost four-fold, the dominance of economists not only remained but actually increased (Cernea 2004: 5, Kapur et al 1997: 1181, Mason and Asher 1973: 68). 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

URE/0,,contentMDK:21868955~menuPK:64864677~pagePK:64865365~piPK:64864641~theSitePK:5033734,00.html.

¹² 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).

‘top-down’ process, with little benefit to be had from cultivating closer ties with the populations that were the target of Bank-supported interventions (Ellerman 2006: 1-7, Bebbington et al 2004: 50, Mehta 1994:117-34, Hancock 1989: 124-31). 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 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 accountability 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 accountability, 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 politics of stakeholder accountability that occurred around the Bank’s project- and policy-based lending. The evolution in the mechanisms of stakeholder accountability 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 accountability in Bank 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 accountability. During this time, the relationship between the domestic populations of borrowing countries and the Bank

was conducted largely through official national representatives. In general, the process through which transformations take place in the stakeholder accountability relationships surrounding IOs is often incremental, involving both informal and formal restructurings that occur in response to internal and external stimuli. The process through which ‘stakeholders’ are constructed as identifiable groups, holding a legitimate entitlement to a direct accountability relationship with the IO, occurs through the forging of alliances between external critics and internal advocates, in which periods of crisis often play a key role. At the World Bank, it is possible to trace the transformational dynamics back to the 1970s, when internal champions of reform were able to lay the groundwork for eventual institutional 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 participatory stakeholder accountability at the Bank.

It was under the stewardship of Robert McNamara that, in important respects, the undercurrents were stirred up that gradually served to reposition domestic stakeholders within the organisation’s operations. In part because of his background as US Defence Secretary, McNamara and the advisory staff he brought in had a preoccupation with the links between poverty, rural unrest, and the spread of global communism. As President of the World Bank, a central objective of McNamara was to refocus the work of the organisation on poverty reduction, and one of the means of accomplishing this aim was to push staff to explicitly focus projects on improving the living conditions of the poorest 20 or 40 percent of the population, depending on specific country conditions. 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. 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 abstracted aggregate 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 that pushed 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 toward 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 that the developmental framework that 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). 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 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 percent of Bank lending went to projects that incorporated resettlement schemes, but 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 (Gray 2000: 269-70, Keck and Sikkink 1998: 24-5, Rich 1994: 26-38).

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

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'.

around which increasingly well coordinated campaigns were arranged (Fox 2000: 303-5, Rich 1994: 10). A combination of external monitoring and internal auditing has helped to ensure growing levels of staff compliance with operational guidelines (Fox 2000: 320-1).

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: Adapted from Fox and Brown (2000: 516)

In terms of the politics of stakeholder accountability, the provisions accompanying the Bank's guidelines entail a decisive shift toward 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:

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 governments 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:

¹⁴ OP 4.10, paragraph 1. See World Bank Official Website, at <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,m enuPK:64701637~pagePK:51628525~piPK:64857279~theSitePK:502184,00.html>.

¹⁵ OP 4.10, paragraph 9.

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 exist 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 deemed 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

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.

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 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). As of late 2009, 58 requests had been received by the Inspection Panel.²² Although there are competing interpretations of how effectively it is functioning,²³ the Inspection Panel now provides stakeholders with a formally 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 accountability 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 participatory stakeholder accountability relationships 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 focussed on changing the behaviour of key Bank actors through the process of

²¹ See Fox and Brown (2000: 500-5) for a comprehensive overview of these campaigns by NGOs and grassroots movements.

²² For further information of these requests and the status of investigations see World Bank Official Website, at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTINSPECTIONPANEL/0,,menuPK:64129249~pagePK:64132081~piPK:64132052~theSitePK:380794,00.html>.

²³ Compare, for example, Udall's criticism of the Panel's lack of independence and subjugation to managements' legalistic parrying of requests (2000: 421-7), with Fox and Brown's judgement that the Panel 'gave teeth' to the Bank's social and environmental reform policies (2000: 489).

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 accountability in order 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 sub-unit 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 ideational 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, Francis and Jacobs 1999: 343).

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.²⁴ 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).

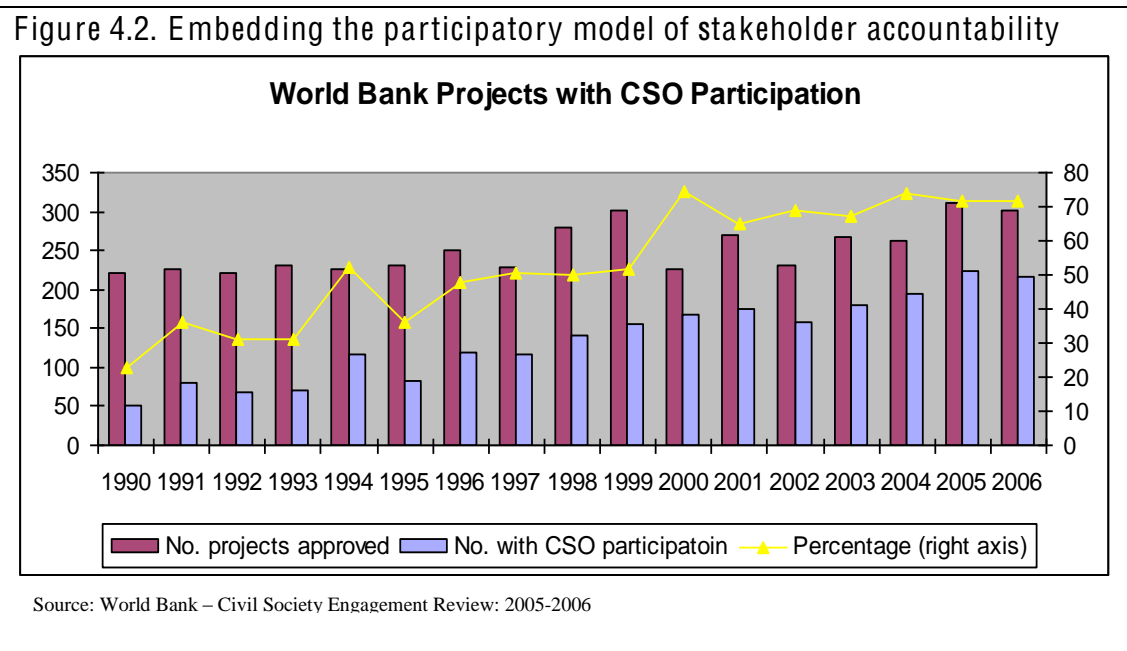
The resources available within the Bank to support greater engagement with stakeholders have been rated by a recent review as 'significant'. There are some 120 staff at the global level that have access to funds for organising consultations with CSOs, and there are around 300 communications officers across the institution available to operational staff to enhance their outreach activities (Ebrahim and Herz 2007: 5).²⁵ A crucial factor in determining the extent to which mechanisms of direct stakeholder accountability 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;

²⁴ 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).

²⁵ 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. Interview with Masud Mozzamel, Senior Communications Officer, Development Communications Division, External Affairs.

however, the converse is also true (Bebbington 2004: 52, Rosenberg and Korsmo 2001: 297, Aycrigg 1998: 18). 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.²⁶

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



²⁶ Several interviewees made the observation that management tried to integrate a focus on processes employed at various stages of project cycles into appraisals. Two interviewees (Anjali Kumar of the Independent Evaluation Group and Sonja Carvalho of PRMPR) even spoke of a ‘post-Wapenham’s’ context.

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. From a base point of just 32 percent in 1990, by the mid-2000s the proportion of total projects with a participatory element was consistently above 70 percent (World Bank 2006: 23). Although there were methodological weaknesses associated with the study,²⁷ and unresolved debates remain as to how ‘deep’ the form of civil society engagement tends to be (e.g. Stewart and Wang 2006, Bradshaw and Linneker 2003), it appears that it is becoming increasingly routine for operational staff to institute mechanisms of stakeholder participation in project cycles. The pressure that is being exerted through the Bank-wide monitoring system being established by the Participation and Civic Engagement Group to track the scope of the participatory mechanisms employed by operations staff (World Bank 2006: 25), and the Group’s promotion of ‘participatory monitoring’ as a means of promoting project effectiveness (World Bank 2004), suggest that this trend is likely to continue into the foreseeable future. The ever-present prodding from critical NGOs will further spur these activities.

Through a process whose dynamics can be traced back several decades, the model of stakeholder accountability in World Bank project lending has been comprehensively 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.

²⁷ 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 2006: 25).

Important 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 the role of on the ground populations in project design, implementation, and monitoring. From an initial situation in which domestic populations' relationship with the Bank were conducted 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 staff increasingly hold the direct participation of civil society organisations 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 take root around the Bank's project lending activities.

4.4. Policy based lending and stakeholder accountability 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 the stakeholder accountability relationships 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 accountability around World Bank project lending, changes have occurred within the organisation's policy based lending that have served to reconstruct understandings of stakeholder accountability in this sphere

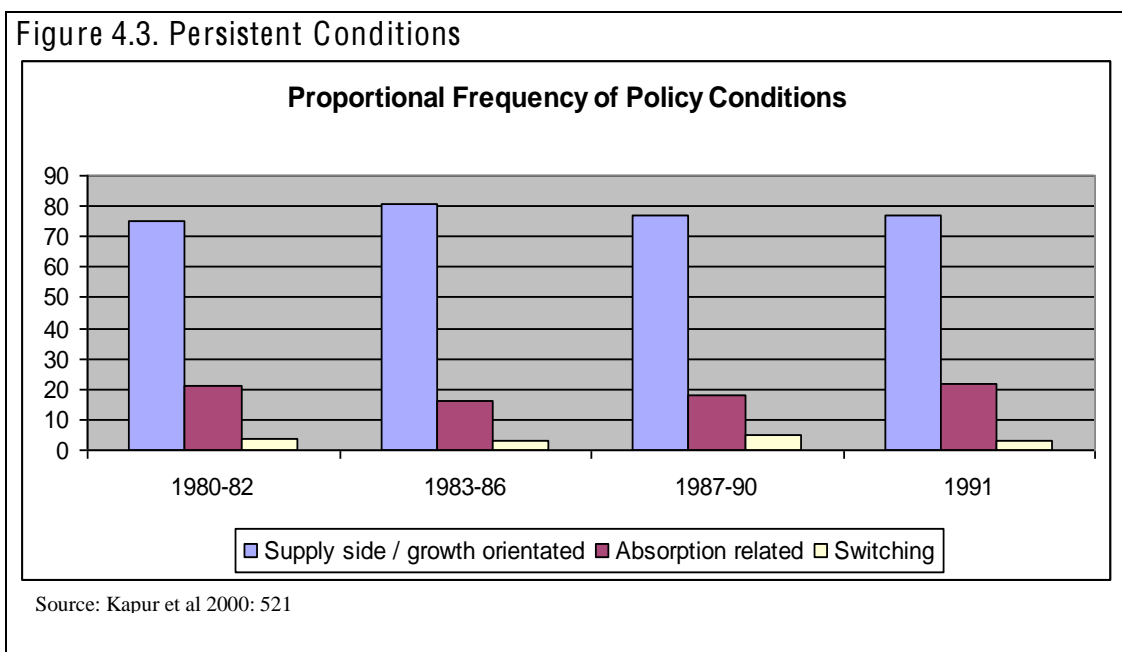
of operations. Although from early on in its foray into policy lending there was an awareness within the Bank of the importance of domestic governance structures, over recent years it has taken a more proactive approach to the issue. In common with the developments to project lending, the interaction of external and internal factors have contributed to these reforms. Contests over the appropriateness of the Bank's involvement in reforming domestic governance processes continue, but there is clear support from senior management and significant material resources to support the incorporation of governance reform into policy based lending. 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 re-position stakeholder accountability as a tool to promote 'good governance', and review the other internal and external developments that have enabled the operationalisation of domestic accountability reform within World Bank policy based lending.

The use by the World Bank of lending instruments that were specifically designed to induce macroeconomic policy reforms is a relatively recent phenomenon. It was only 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 amount of resources channelled through this route remained relatively limited.²⁸ After the initial fillip that came with the 1982 debt crisis, when SALs became a useful vehicle for transferring resources to heavily indebted countries, through the decade the proportion of new Bank lending made up by policy based hovered around the 25 percent level (Kapur and Webb 2000: 2, Kapur et al 1997: 516-18). From 1990 to the present time, the

²⁸ Ritzgen (2007: 576) makes the point that outsiders tend to over-state the relative importance of policy lending to the Bank's total portfolio.

relative level of policy based lending has decreased marginally, on average accounting for between 20-25 percent of total resource flows.²⁹ 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 (Kapur et al 1997: 534). 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 often chaotic macroeconomic conditions in low income borrowing countries were inhibiting the impact of projects. The overall aim of policy based lending was to assist borrowers to create a stable environment capable of sustaining balanced



²⁹ 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>.

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. As is shown by Figure 4.3, the proportion of conditions directed toward supply side reform was consistently around 75 percent 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 focussing on the importance of 'getting the institutional context right' to allow policy reforms to take root (Weaver 2008: 97, Nelson 2000: 413). 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 toward 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: 98-9), and helped shape the research agenda of the organisation.

Through the 1990s, the World Bank research department put significant efforts into proving that institutional arrangements were important to the process of sustainable 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),³⁰ the Paper acted as an intellectual anchor for internal advocates of a governance reform agenda.

³⁰ In direct opposition to the conclusion of *Governance Matters*, Chang (2007: 12) suggests the in an introduction to a recent edited collection: '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'.

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 intrusion into the domestic affairs of borrowers to be constructed as within the Bank's 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 (Weaver 2008: 107, Kapur and Webb 2000: 2).

Alterations in the Bank's external environment also helped to open the door for the governance agenda. At a general level a major change in international political culture took hold during the 1990s, whereby the concept of 'state sovereignty' became far less revered in international discourse (Kapur and Webb 2000: 2). 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 (Clegg 2010a). However, the factor that most helped to push the governance agenda from a part of development discourse to being a part of development practice, operationalised through Bank policy based lending, was the strong support within the organisation from senior management (Weaver 2008: 108, World Bank 2001: 7).

Shortly after assuming the Bank Presidency, James Wolfensohn publicly affirmed his commitment to governance reform through the 'Cancer of Corruption' speech, delivered at the organisation's 1996 Annual Meeting in Hong Kong. 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 anticorruption helped to undercut potential criticisms that the Bank was overriding the sovereignty of borrowing country governments.

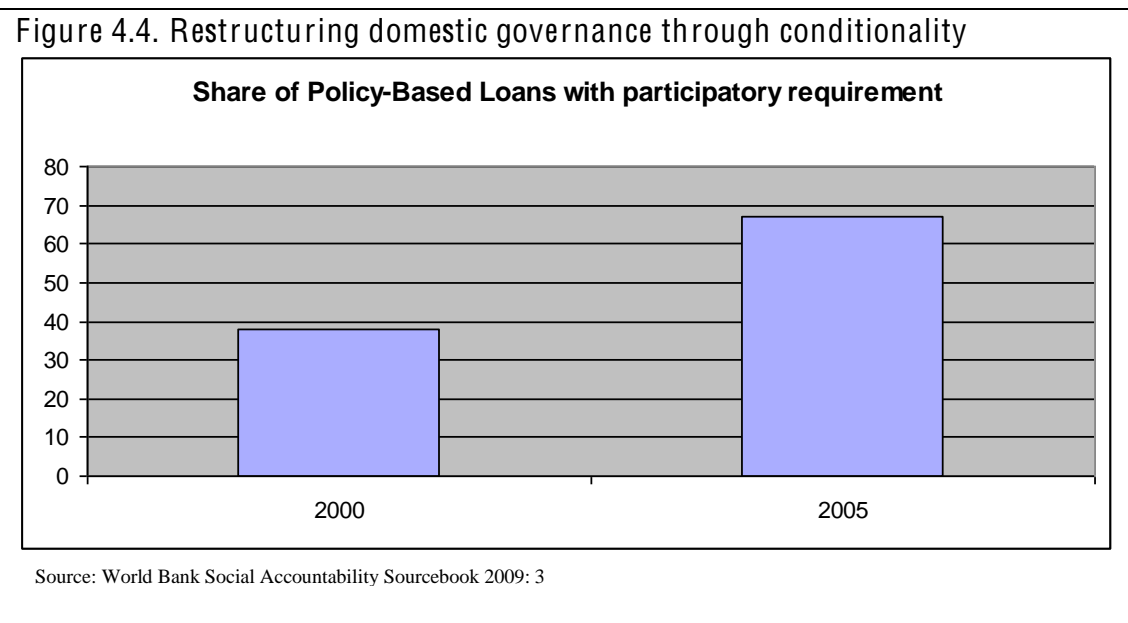
The coalescence of these internal and external factors led, in 1999, to the dramatic operationalisation of the governance agenda. As part of the efforts to 'enhance' the process heavily indebted poor country debt relief, the World Bank (in partnership with the IMF) announced the launch of the Poverty 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 & 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 several observers (e.g. World Development Movement 2006, Bradshaw and Linneker 2003, Craig and Porter 2002), and the Bank's own evaluations have concluded that standards varied from country to country (World Bank and IMF

2005),³¹ 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 accountability 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 (see Figure 4.4). In 2000, some 38 percent 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 percent. These new forms of



'hard' process conditionality are particularly prevalent in the policy lending agreements reached between the Bank and the lowest income group of countries, with some 83 percent of loans made by the Africa Group of the Bank containing such provisions (World Bank 2009: 4).

³¹ The placing of a participatory process requirement within the PRSP initiative was never likely to evolve into a 'hard' condition. The pressure on Bank and Fund staff to get the E-HIPC rolling meant that no countries' progression to 'completion point' was held up on the grounds of inadequate participatory practices.

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, focussing 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'.³² 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 Anticorruption' (GAC) strategy, PRMPS has fixed upon the discursive practice initiated by Wolfensohn of linking governance reform to anticorruption, and by so doing has been able to present its work in an attractive discursive framework (World Bank 2008: 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 (Weaver 2008: 118, World Bank 2001: 25), there is evidence of a recent turnaround. Throughout his brief Presidency, Paul Wolfowitz was a staunch supporter of GAC, establishing a monthly Governance Council to provide high level leadership for the GAC agenda. The council is chaired

³² 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>.

by the Bank's Managing Directors, and comprised of Vice President level representatives from across the organisation.³³ Support for this and other GAC structures continues to be publicly voiced by the new 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 to 'help the Bank and client countries deepen their knowledge of governance settings',³⁴ and their findings are intended to inform the design of agenda setting documents such as CASs (World Bank 2001: 45). During 2008, in an effort to ensure that such resources were utilised more effectively, a 'needs assessment' of all Country Directors and Country Managers was undertaken. 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 2008: 45-6). 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.³⁵

In 2008, PRMPS and the GAC agenda received a significant material boost, when the UK, Danish, and Dutch governments created a 'Governance Partnership

³³ As a senior PRMPS staff member said of the influence of the Governance Council: 'Countries now feel the light is on them'. Interview with Doris Voorbraak, November 2008.

³⁴ 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>.

³⁵ Indeed, the approach being used is reminiscent of the earlier attempts of senior management back in the late 1990s to embed the operational changes they wished to see relating to the Strategic Compact. On the Strategic Compact reforms, see Nielson et al (2006).

Facility' with a US\$100 million endowment. The Facility 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.³⁶

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 2008: iii). Assisted by these resources, supporters of the GAC agenda have continued their attempts to mainstream the focus on domestic accountability structures 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 Development Economics Vice Presidency, 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 2007: 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 least, by translating debates around stakeholder accountability and participation into an economic language acceptable to the Bank's mainstream, the work of DEC will support a continued shift in the organisation's bureaucratic culture.

³⁶ 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>.

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 accountability issues into policy lending operations 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. The conflict with rapid lending turnaround is heightened as these types of governance issues also tend to require more intensive monitoring, and are less likely to generate rapid, quantifiable results. In addition, staff continue to traverse an ‘apolitical tightrope’. Aspects of policy loan agreements that are considered too overtly political may be filtered out by Country Directors, concerned to maintain good relations with borrowing governments (Weaver 2008: 117-20, Rosenberg and Korsmo 2001: 297). Although these micro-level disincentives make the ‘participatory turn’ in project lending problematic, it should be remembered that change in bureaucratic organisations occurs through (interlinked) changes to both logics of consequence *and* logics of appropriateness (Nielson et al 2006: 107). The performance criteria set by senior management are not immutable, and interviews with staff suggested that the bonds of the ‘disbursal imperative’ may in fact be weakening.³⁷ 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 accountability reform.

³⁷ Several interviewees made the observation that although the ‘disbursement imperative’ as outlined by the Wapenhams Report still structures individual staff incentives, there was significant Bank-wide variation in the extent to which this was the case. Dino Merotto (Country Economist, Uganda), for example, noted that his performance criteria included the successful dissemination of research findings beyond governmental partners.

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 the new President for the Bank's push to reform domestic accountability structures in the name of its anticorruption strategy, and the sheer volume of resources that are currently flowing through to operations aimed at mainstreaming GAC work, suggests 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 accountability as a tool of domestic governance now have a secure foothold in the Bank from which to continue with their proselytising efforts.

4.5. Conclusion

In the world of IOs, stakeholder accountability is an essentially contested relationship. Although an organisation's the formal structure and operating procedures served to define its initial accountability mechanisms in a manner that can cast a long shadow over their future evolution, the relationship between IO and stakeholder groups enjoys a high level of malleability. The process of change is shaped by emerging discourses of accountability, whose success relies on the extent to which they fit with the beliefs and experiences of actors both inside and outside the IO. Reconstructions in the accountability relationships surrounding an IO can take place along a multi-track process, and rapid periods of change typically relies on the intersection of external and internal pressures, with material resources at times playing a vital role in the

process of alliance building. In the politics of stakeholder accountability ideas matter, but funding enables staff to disseminate and embed new practices.

From an initial structure in which borrowing country stakeholders' accountability 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 accountability 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, process conditionality has increasingly been incorporated into development policy lending operations. The conspicuous success of the Governance and Anti-Corruption 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 preventing the 'deep' absorption of stakeholder accountability into either the project or policy based arms of

Bank operations remain. Perhaps most seriously, the remnants of the Bank's much criticised 'disbursal culture' continues to structure the micro-level incentives of staff in such a way as to make stakeholder participation in project cycles and the promotion of stakeholder accountability at the domestic level appear a costly luxury. 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 (bolstered, somewhat paradoxically, by vocal NGO critics), and substantial material resources, it is a sub-culture that over the foreseeable future will continue to expand.

In the closing chapter of the thesis the study of the politics of accountability is collapsed out, and the cross-pollination of ideas with projects advocating cosmopolitan global governance is explored. In this regard, the insights gained into the politics of stakeholder accountability at the World Bank provide useful guidance for cosmopolitan works. It is shown in particular that, by ensuring that demands for operational change cohere with the bureaucratic culture of the IO under examination, the visions of cosmopolitan writers can become more 'saleable' to the IOs themselves. However, before the 'ins and outs' of the politics of accountability are considered more fully, in chapter five developments in the mechanisms through which the IMF interacts with domestic stakeholders in low-income countries are first examined.

Chapter Five – Apolitical Economy and the Limits to Stakeholder Engagement at the IMF

5.0. Introduction

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 (Jeff Chelsky, World Bank International Policy and Partnerships Group Senior Economist, 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 1999: 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 2009). 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 accountability and stakeholder engagement that are now routinely placed on IOs, and it is for this reason that the politics of stakeholder accountability at the Fund are of particular interest. Although over the past decade innovations in the relationship between the Fund and low-income

¹ Interview with author. The comment was made in a literal sense, but in the context of the broader interview can also be read as a metaphor regarding the effect of the intellectual culture at the Fund. The interviewee talked in depth about the permeation of academic macroeconomics with the assumption that abstract modelling can generate optimal solutions, and the consequent belief by Fund staff that there is a ‘right’ answer to policy questions. Hence, 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 This characterisation of the Fund’s modus operandi was given by Ulrich Jacoby, IMF Office of Technical Assistance Management. Interview, November 2008.

country populations have emerged, deeply ingrained institutional characteristics of the Fund continue to preclude the emergence of direct mechanisms of stakeholder accountability. The disjuncture between the Fund's and its critics' understandings of appropriate practice 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 accountability continue to unfold. Deeply embedded operating procedures and internal understandings of its role have led to substantial continuity in the mechanisms of stakeholder accountability 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 politics of stakeholder accountability have progressed 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 accountability surrounding 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 the area of stakeholder accountability.³

In examining the sources of continuity and change in the politics of stakeholder accountability at the IMF, the chapter proceeds according to the following structure. The opening section examines the challenges of reforming accountability relationships surrounding the operations of IOs. Although accountability relationships are fundamentally subject to contestation and transformation, aspects of the formal structure and bureaucratic culture of IOs can serve to minimise the degree of operational flexibility. With organisations like the Fund that are widely credited with a high level of technocratic expertise, the capacity of external actors to push through operational changes tends to be low. 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 accountability, and the practices that served to secure this 'club' arrangement through to the contemporary operations of the IO. In the third section of the chapter 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 ascribed to 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 to stakeholders. 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

³ Tamar Gutner (2009: 18) quotes a senior IMF official as using this phrase to explain the limitations to the Fund's interactions in borrowing countries.

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 of the chapter draws together the lessons learnt regarding the politics of stakeholder accountability at the IMF, and reflects on the dynamics that will determine future developments. Although some movement 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 legitimacy will continue to be challenged. In addition, this section introduces the key themes that are examined in the closing chapter of the thesis regarding the intersection of the politics of accountability and projects advocating cosmopolitan global governance.

5.1. Technocratic expertise and stakeholder disengagement in global politics

Over the past decade, the charge of being 'undemocratic' and 'unaccountable' has been a commonplace criticism of high profile institutions of global governance. In the developed world, public displays of discontent often accompany meetings of international forums (O'Brien et al 2003: 173), and in the developing world protesters against policies 'imposed from on-high' direct their anger at perceived IO intrusions into domestic affairs (Walton and Seddon 1994). The IMF has consistently been at the forefront of such protests, and a significant quantity of academic literature has been produced that is highly critical of its practices (e.g. Woods 2001, Woods and Narlikar 2001, Thirkell-White 2004). Although these works have gained widespread acceptance, and serve as additional voices in the cacophony calling for reform by the Fund, the utility of their contribution can be supplemented through a close analysis of the politics of stakeholder accountability. It is only by examining the intricate

processes through which the relationship between the Fund and its in-country stakeholders is constructed and re-constructed that the cause of the continuing disparity between the Fund's practices and external critics' views can be fully grasped.

When examining the politics of stakeholder accountability surrounding the activities of IOs, a key analytical starting point is the institution's formal structure and mandate. The institutional arrangements set out in the founding Articles of Agreement establish the parameters around which the future operations of the IO are to be conducted, detailing the mechanisms through which engagements with both state and non-state actors occur. These codified rules form a legally enforceable framework that typically requires the agreement of super-majorities of member states to alter; as such, the operational prescriptions they contain help to define the degree of flexibility in the IO's stakeholder accountability relationship over the long term. For international organisations set up in the early post-1945 era, the pre-eminent importance attached to 'sovereignty' meant that their founding Articles bore a particularly deep imprint on the later politics of stakeholder accountability. For such IOs, which include both the World Bank and the IMF, formal spheres of operation are tightly defined, with the original signatories often deeming it necessary to include clauses precluding interventions in domestic political processes. In this way, Articles of Agreement can serve to embed a model of stakeholder accountability firmly in line with the delegated, 'club' model. Through such accountability structures, stakeholders' access to IO officials comes exclusively through national-level actors (Kapur and Webb 2000: 2, Keohane and Nye 2002: 2, Vetterlein 2006: 132).

Although formal alterations to the rules dictating the structures of stakeholder engagement by IOs are comparatively rare, reform can – and generally does – occur at

the margins. A vital component in catalysing such change is the creation of a shared understanding amongst strategically important external and internal actors that a particular social group has a legitimate claim to a direct relationship with the IO. In the contemporary constellation of global politics, NGOs have come to play an increasingly prominent role in promoting such causes in IOs' social environments. Aided in particular by technological advances that have enabled trans-national communication and coordination to be carried out quickly and at low cost, such groups have in recent decades spearheaded many successful campaigns against IOs (Keck and Sikkink 1998, Castells 1996). However, the characteristics of individual IOs are a key determinant of the degree to which external actors' efforts are likely to gain traction and produce behavioural changes. In this regard, the IO's 'porosity' and its dominant institutional culture are particularly important (O'Brien et al 2003: 189-96).

Porosity and bureaucratic culture are aspects of IOs that tend to be mutually reinforcing, which together create a systematic tendency toward 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. Indeed, there have been some recent examples of a two-way flow of staff between IOs and revisionist NGOs pushing for changes in operating practices (O'Brien et al 2003: 192). In contrast, organisations with very low staff turnover rates, in which staff are recruited at an early age and follow a well trodden and widely known 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 transplanted 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, staff 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: 190-1).

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, staff within any organisation adopt a collection of relatively unreflexively held ‘rules of thumb’.

This culture is constituted by:

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 the organisation’s role in it (Weaver 2008: 37).

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 materially powerful actors with the capacity to control resources can push through change in IOs by restructuring incentive structures (i.e. by altering staffs’ calculations according to a logic of consequence), in order for IOs to ‘self-police’

⁴ The term was used with this meaning by Alex Mourmouras, IMF Institute Senior Economist. Interview with author, December 2008.

changes or for less materially powerful actors to successfully impact on IO behaviour more deep seated beliefs must be challenged (i.e. staffs logics of appropriateness must be reformed).⁵ By virtue of the specialised nature of the objectives that they have been tasked with, the operations of many IOs are surrounded by a language of expertise that can be highly problematic for external actors to engage with. Although this barrier is not uniformly in existence across different IOs, in some cases the language of expertise can act as an almost impervious – albeit generally unintentional – insulating layer (Konioka 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, internal dynamics assume a greater importance within the politics of stakeholder accountability surrounding its operations.

A central component of the pressure currently being placed on IOs to engage in more direct relationships with the stakeholders affected by their activities is a general liberal-democratic shift in the international aid agenda. In the post-Cold War environment, external actors, in the form of creditor states and watchdog NGOs, have increasingly drawn upon a normatively laden discourse to push IOs to alter their behaviour in this regard (Nelson 2000: 413). However, expertise-based organisations such as the Fund are singularly resistant to such methods of persuasion (O'Brien et al 2003: 189-90). The rigidly arranged hierarchy of operational means and ends in these IOs, the causal chains between which are firmly accepted according to internally held standards of proof, require evidence that is presented in terms that cohere with their language of expertise in order to be accepted. Once accepted, such changes are likely to rapidly gain traction within the organisation; indeed, once this tipping point has

⁵ On logics of appropriateness and logics of consequence, see Nielson et al (2006: 107).

been reached, the behaviour of expertise-based IOs has been characterised as like ‘marines falling into line’.⁶ However, in order to reach this tipping point, it is of vital importance for strategically placed insiders to assist in the translation and dissemination of arguments in favour of behavioural change (Weaver 2008: 28). Under the influence of these generally conservative dynamics, broad operational continuity, supplemented by piecemeal incremental reforms, dominate the activities of such expertise-based IOs.

A final immanent propensity of expertise-based IOs that is pertinent to the analysis of the politics of stakeholder accountability at the IMF relates to the field of public relations. Owing to the enhanced frequency of *les dialogues des sourds* between such IOs and external critics, it is common for such IOs to face prolonged periods of public criticism. The unwillingness or inability of the two sides to speak a common language can lead to both a failure to respond to legitimate criticism on the part of the IO, and a failure to accept the validity of even strong evidence of IO success on the part of critics. Indeed, this latter issue can be exacerbated by the unwillingness of the IO to even *attempt* to draw attention to areas of its ‘good practice’ (Weaver 2008: 37-8).⁷ Furthermore, when the practices of expertise-based IOs are assessed against those of more ‘friendly’ IOs that more effectively tailor the presentation of their operations to specific audiences, they can appear as exemplars of inappropriate practices (e.g. STWR 2009). This ‘underoperationalisation’ of reforms – the failure to meet the exacting standards set out by other IOs working in a similar

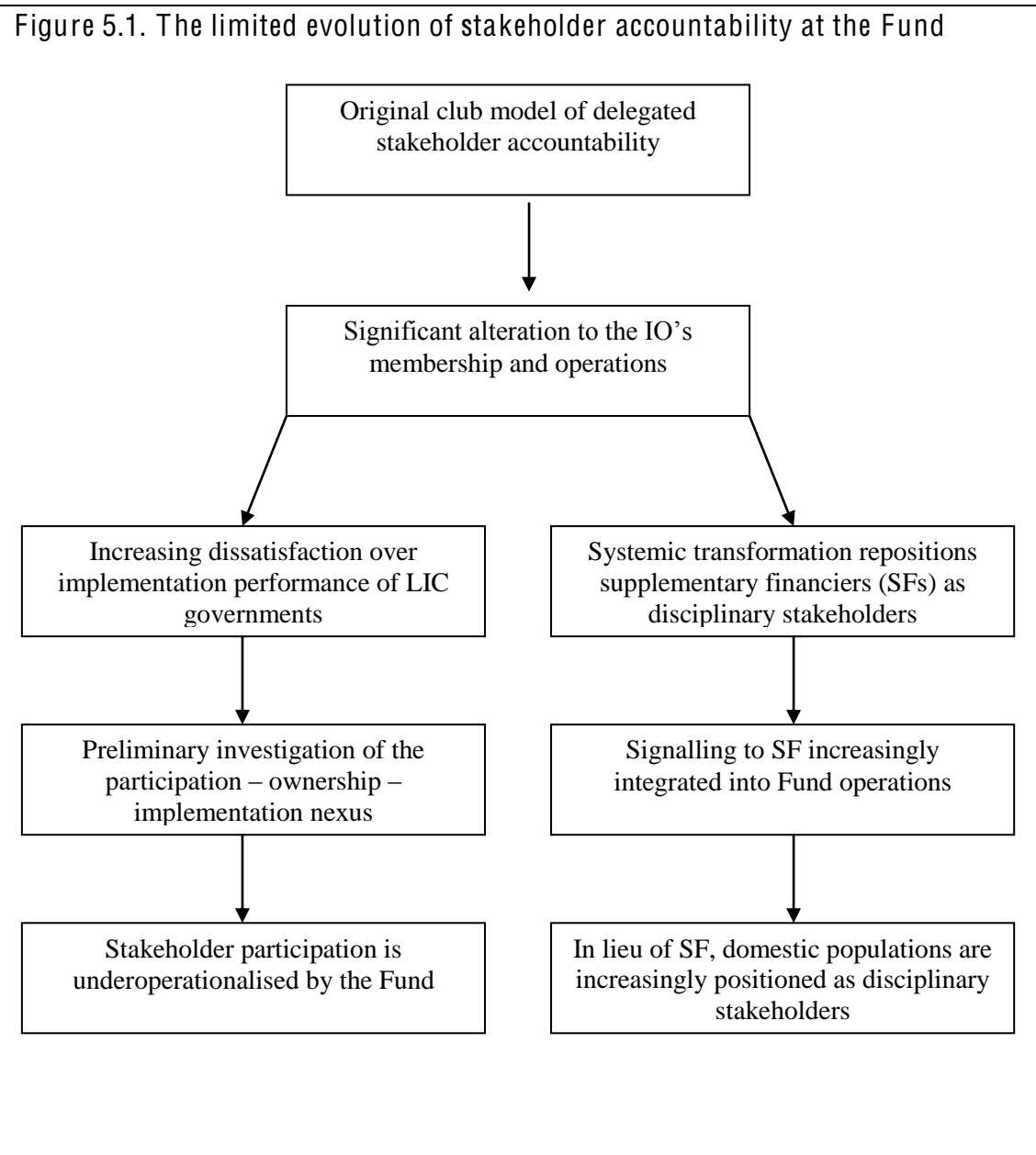
⁶ The analogy was made by an IMF member of staff in an interview with Catherine Weaver, reported in Weaver (2009).

⁷ The Fund’s handling of public relations provides is exemplary in this regard. In interviews, numerous operational staff were heavily critical of the competence of the External Relations Department (EXR). In contrast, Simonetta Nardin, a Senior EXR member of staff, talked of the regular vetoing by operational staff of EXR’s attempts to present evidence of programme success in ‘everyday’ terms (e.g. additional nurses and teachers employed) on the grounds that it ‘dumbs down’ the output of the Fund. Interview with author, November 2008.

area of global governance – has been an issue with the contemporary activities of the IMF.

As was shown through the analysis of the World Bank in the previous chapter, change in the relationships of stakeholder accountability 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 accountability practices have developed at the International Monetary Fund, where two identifiable streams in the politics of stakeholder accountability have produced noteworthy reforms in the relationship between the IO and domestic populations. Figure 5.1 provides an overview of this process, based around the participation-ownership-implementation nexus learning cycle, and the creation of 'disciplinary stakeholders'.

As the following sections of the chapter show, the initial establishment of the Fund with a state-centred, delegated model of stakeholder accountability set 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 Poverty Reduction Strategy Paper 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, and, as more radical reform is unlikely to be forthcoming in the near future, this charge will prove to be recurring.

5.2. Institutionalising the 'club' rules

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 the formal and informal levels, these founding Articles provide an important source of continuity to the IO's activities. Regarding the politics of stakeholder accountability, these codified rules serve to both establish the mechanisms through which an IO's relationship with in-country stakeholders is conducted, and to shape the path of its future evolution. In the case of the IMF, the Articles of Agreement laid out a state centric, club-style governance structure,⁸ with stakeholder accountability arranged according to a rigid hierarchic running exclusively through state level representatives. As over time the activities of the Fund became routinised, and its bureaucratic culture began to solidify, this mode of stakeholder accountability became firmly entrenched. Although in recent years some modifications have occurred, in key respects the practices established in

⁸ I use the term in the manner laid out by Keohane and Nye (2000: 2).

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: the 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 late 2009 some 186 member states select 24 Executive Directors,⁹ the formal structure remains largely the same. In particular, the extended sequence of delegation through which domestic stakeholders have access to the formal structures of governance, involving a chain from on the ground actors, to their domestic representatives, and in turn to the relevant Executive Directors, has been retained (Horsefield 1969: 116-28, Ferguson 1988: 60-1).

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

⁹ See IMF Official Website, at <http://www.imf.org/external/np/sec/memdir/eds.htm>.

representatives of member states mirrors, word for word, that of the Bank. Article V.i. 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.¹⁰

The potential for more directly participatory forms of stakeholder accountability to emerge was further constrained by the provisions enshrining the apolitical status of the IO. Article IV.iii. 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).¹¹

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 accountability 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.

¹⁰ For the full Articles of Agreement see IMF Official Website, at <http://www.imf.org/external/pubs/ft/aa/index.htm>.

¹¹ See fn above.

The effectiveness with which stakeholders could utilise even these delegated mechanisms of accountability 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 2004: 25-6, IMF 2007: 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 stakeholding 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 rapidly became a leading centre for the theory and practice of international monetary economics, in key respects establishing the frontiers of knowledge regarding the interrelation of currency systems. With the development and refinement of diagnostic models for the analysis of balance of payments disequilibria, important rules of thumb became established regarding the appropriate policy responses to particular scenarios (Barnett and Finnemore 2004: 56). The development of this highly specialised expertise not only acted as a barrier

restricting the ability of domestic stakeholders to access policy debates at the Fund; 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.¹²

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). 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; up until the late 1980s, it remained common for low-income countries seeking arrangements with the Fund to send delegations to Washington rather than to receive IMF Mission Teams (Baber and Jeffrey 1986: 135).¹³

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

¹² 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 Dino Merotto, World Bank Uganda Country Economist, and Jeff Chelsky, World Bank International Policy and Partnerships Group Senior Economist. Interviews with author November and December 2008.

¹³ 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).

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.

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 accountability was a relationship 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 accountability 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 many 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 the 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’ at the IMF

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 2005, Bird 2008). 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.¹⁴ 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 accountability 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

¹⁴ For notable examples of such work, see Stone (2002) and Broome (2008).

IMF has made a move to reinforce an understanding of stakeholder accountability as a relationship 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 began to link not only their initial lending decisions to the existence of a Fund arrangement, but also made the sequential disbursement of a package of loans contingent on the continued adherence to performance criteria (IMF 2004: 12).

Although IMF staff 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 (IMF 2004: 12-13, Cotarelli 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 following 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 were launched to improve the Fund's signalling capabilities, including the Fund Monitored Programmes, Rights Accumulation Programmes, and Staff Monitored Programmes.¹⁵ 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 diffusion of

¹⁵ Of these innovations only the Staff Monitored Programme gained wide acceptance, although it was by no means universally admired at Board level (IMF 2004: 20).

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 (Broome 2008: 125-6, IMF 2008: 7, Seabrooke 2006: 157, IMF 2004: 15-23, James 1996: 612).

The Mexican ‘Tequila Crisis’ of 1994 and the Asian financial crisis of the late 1990s 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 2004: 24-5). Partly under the influence of this developing conceptualisation of supplementary finance as a disciplinary stakeholder, and partly following pressures to conform to more general demands for transparency in international organisations,¹⁶ 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 2004: 25, IMF 2007: 672-84).

Important though these reforms were for the enhanced opportunity they

¹⁶ See, for example, Nelson (2000: 413).

provided for disciplinary stakeholders 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 a group of low-income countries whose weak institutional capacity precluded them from full membership of the SDDS (IMF 2008: 7-8). With the General Data Dissemination Standard (GDDS), the Fund aimed to allow for this group to ‘indicate that it subscribes to and observes certain tenets of good statistical citizenship’ (IMF 2008: 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 ROSCs) to put pressure on signatory states to fully adhere to the principles of the SDDS and GDDS.¹⁷

The target audience of the data that is collected and released under the DDI are the international capital markets.¹⁸ Whilst this audience for information signals is potentially appropriate for ‘respectable’ emerging and advanced economies,¹⁹ for low-

¹⁷ I owe thanks to Lucie Laliberte, Director of the IMF Statistics Department, and Robin Kibuka, an Advisor to the IMF Statistics Department, for the overview they provided of the intricacies of the Data Dissemination Initiative.

¹⁸ 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.

¹⁹ There is a continuing debate on 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

income countries the destination is problematic. Although there is evidence of rapidly increasing capital flows to low-income countries at present, the vast majority of this activity is made up of ‘capital-like flows’ (primarily wage remittances) that do not respond to such signaling (Dorsey et al 2008, IMF 2009). Similarly, although ten of the group of 24 PRSP-HIPC low-income countries hold credit ratings from one of the ‘big three’ agencies (see Table 5.1), virtually none have market access.²⁰ Indeed, the fact that almost all PRGF agreements have a zero-ceiling on non-concessional borrowing effectively bars the relationship between low-income countries and private financiers from developing (IMF 2009: 5). In this context, the functions that are ascribed to private financiers are transferred to the publics within low-income countries. This is made clear in the ROSCs produced for individual countries,²¹ 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 accountability mechanisms (IMF 2008: 1).

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, and in total some 83 percent of Fund members are engaged with the DDI in some capacity. Focusing specifically on the low-income PRSP-HIPC group of states, an

signalling function remain 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 2008).

²⁰ Indeed, Jan Kees Martyn, the Fund’s Policy Development and Review Department Low-Income Country Division Deputy Head, estimated that of the 78 PRGF-eligible member states, around five had a realistic chance of gaining access to private finance. Interview, December 2008.

²¹ All ROSCs under the GDDS have a section examining the accessibility of data to the public.

Table 5.1. PRSP-HIPCs with sovereign credit ratings

| | Credit Rating Agency | | |
|------------|----------------------|---------|-------|
| | S & P | Moody's | Fitch |
| Bolivia | • | • | |
| The Gambia | | | • |
| Honduras | | • | |
| Madagascar | • | | |
| Malawi | | | • |
| Mozambique | • | | • |
| Nicaragua | | • | |
| Senegal | • | | |
| Uganda | | | • |
| Vietnam | • | • | • |

Source: IMF 2008: 76

impressive 92 percent are signed-up to the GDDS.²² 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 2008: 57-8). Moreover, the IMF has effectively applied the compliance mechanism at its disposal within the GDDS to the PRSP-HIPC group: by June 2009, all of these countries had ROSCs published (IMF 2009).

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

²² Of the PRSP-HIPC group of states, only Burundi and Guyana are not signed-up to the GDDS. For a full list of participants in the GDDS see IMF Official Website, at <http://dsbb.imf.org/Applications/web/gdds/gddscountrylist/>.

methodological framework for the collection of external sector statistics (IMF 2004), 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 percent having adopted the Balance of Payments Manual, 64 percent the System of National Accounts, 56 percent the monetary and financial data guidelines, and just 13 percent those on the financial sector.²³ 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 2008: 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.²⁴ Even in the absence of such guidance, under the pressures of the GDDS it is common for individual countries’ Poverty Reduction Strategy Papers to contain specific references to the financing requirements of these domestic agencies.²⁵

The development of the General Data Dissemination Standard 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

²³ As the GDDS signatories are predominantly low-income countries, with relatively under-developed financial sectors, the slow rate of uptake of the Government Financial Statistics Manual is not as surprising as the headline figure perhaps makes it appear.

²⁴ Interview with Robin Kibuka, Advisor to the IMF Statistics Department, December 2008. Also, see Kibuka (2007).

²⁵ See, for example, Government of Guyana (2005: 108).

the Paris 21 umbrella,²⁶ Fund staff have quietly taken the lead in promoting the development of countries' capacity to generate and disseminate statistical data pertaining to core macroeconomic functions. These low level operational reforms have an established lineage at the IMF, going back to the gradual emergence of the conceptualization 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. In a close parallel to the reforms to policy-based lending at the World Bank examined previously, the efforts to improve the efficacy of the domestic-level mechanisms of stakeholder accountability serve to reinforce the appropriateness of the delegated model of IO accountability over demands for more direct mechanisms. The mundane appearance of the evolution of the concept of disciplinary stakeholders and the Data Dissemination Initiative 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 acting at the boundaries of domestic politics. 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 opening the door to stakeholder participation

With multilevel 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 accountability, this complexity commonly translates into the existence of

²⁶ See chapter two.

multiple accountability practices; different mechanisms for engaging stakeholders evolve around the various operational areas of a single 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 accountability. In particular, two evolving strands 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 interactions between Resident Representatives and in-country groups reveal contrasting lessons about the politics of stakeholder accountability at the IMF.

The first of these strands, the changes to the Fund's formal governance structure, is a rare example of external actors successfully pressuring the organization into enacting reform. Although not yet fully implemented, there is a broad acceptance among Fund staff and the Board that significant reforms to the system of representation are necessary. Regarding the second of these strands, though 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. The Fund's structure and culture continue to restrict the depth of stakeholder engagements; change at the IMF continues to be characterized by gradual evolution rather than revolution.

As were laid out in the IO's original Articles of Agreement, the dominant

mechanisms of stakeholder accountability surrounding 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.²⁷ 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 percent of low-income country governments communicated with their Executive Director at least once a week (IMF IEO 2008b: 33).²⁸

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 industrialized 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 mundane operational difficulties (e.g. Woods 2001, Woods 2004, IMF IEO 2008, Bretton Woods Project 2009).

²⁷ For a complete list of Executive Directors' constituencies see IMF Official Website, at <http://www.imf.org/external/np/sec/memdir/eds.htm>.

²⁸ Both Laurean Rutayisire, the Francophone Africa IMF Executive Director, and Moeketsi Majoro, the Anglophone Africa IMF Alternate Executive Director, 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.

Although expertise-based IOs are commonly resistant to externally driven demands for change, the reforms to the IMF governance structure mark an interesting exception. Over the last two 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.²⁹ 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 (IMF IEO 2008, IMF 2009). Although these adjustments have been insufficient to placate many 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:

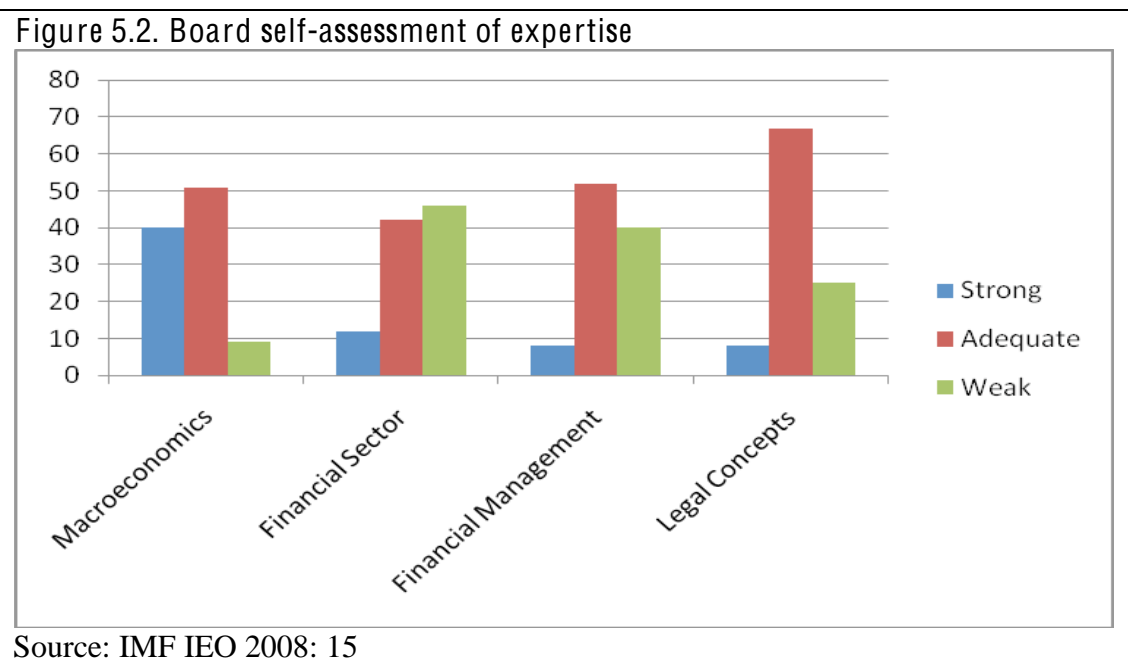
The reality is that most [of the developing country] Executive Directors represent large constituencies... This limits the voice of the relevant country and their ability to hold to account the Director representing them (IMF 2009: 10).

The report, which was received well in the Board discussion,³⁰ provides a strong indication that further, more radical, change was desired. Although such restructuring of the mechanisms of accountability surrounding Fund operations have been muted before, the coalescence of external pressures and internal shifts at the present juncture increases the likelihood of such developments emerging.

²⁹ Several interviewees made reference to the role of this presentation, including notably Daniel Heath, US Alternate Executive Director of the IMF, who was highly complementary about the NGO. Interview with author, December 2008.

³⁰ 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>.

The reforms that have so far been enacted in the Fund’s governance structure have represented a minimal ‘tinkering around the edges’ of its delegated accountability mechanisms. 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



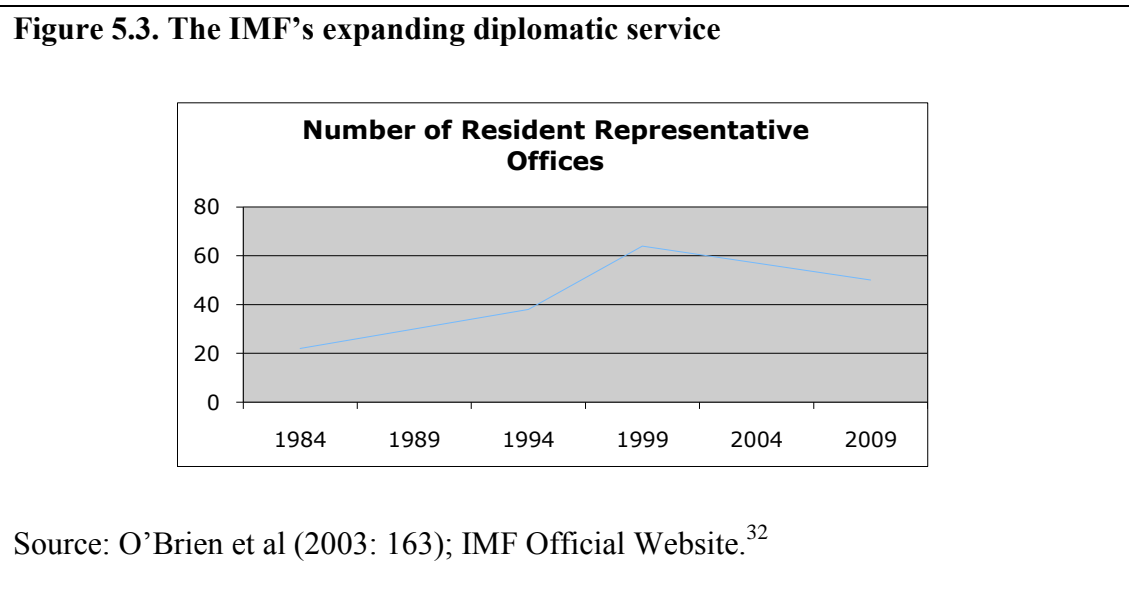
Executive Directors rate their level of knowledge on core areas of Fund operations as being relatively weak (see Figure 5.2).³¹

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

³¹ Indeed, staff rate the expertise level of Executive Directors significantly lower than the Board rate themselves in each of the categories listed (IMF IEO 2008a: 15).

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. In contrast, changes to the role of IMF Resident Representatives 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 norm at the Fund.

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



³² See IMF Official Website, at <http://www.imf.org/external/ns/cs.aspx?id=57>.

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 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 Resident Representatives (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 inevitably served to open an institutional channel to stakeholder groups.

Resident Representatives have been criticised for focussing their outreach efforts on 'IMF friendly' groups over stakeholders holding more challenging views (O'Brien et al 2003, Thirkell-White 2004). However, in the mid- to late-1990s 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. The primary purpose of such meetings was presented as providing in-country groups with information on and clarification of the Fund's role

and policy advice, although it was also suggested that information gained could improve the quality and relevance of the Fund's work (IMF 2008: 2-6, IMF IEO 2008: 4). The impact of this top-down pressure, however, was rated by Fund evaluations as minimal. Slight modification to the practises of Res Reps occurred, although ever-present time constraints hampered the emergence of significant change. Additionally, the low operational autonomy of Res Reps, who are junior members of staff with insufficient authority to introduce stakeholder views into decision-making arenas, restricted their ability to carry out these demands effectively (Malan 2006: 26, IMF 2008: 6-9).

The lack of clarity surrounding the role of Res Reps was added to in 1999, with the launch of the Poverty Reduction Strategy Paper 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 the 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 1999).

It is notable that no mention is made to reforming the channels through which the Fund engaged domestic stakeholder groups, focussing rather on its formal membership (i.e. representatives of member states).

Despite the attempt to distance the Fund from its more participatory-focussed Bretton Woods Twin, as the initiative was rolled-out the IMF rapidly became implicated in the more expansive conceptualisation 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 & 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).

With a large number of staff based permanently ‘in the field’ (Blackmon 2008), many of whom viewed stakeholder participation as beneficial to the achievement of their operational goals,³³ the institutional features of the Bank meant that it was well positioned to actively promote the participatory processes surrounding PRSPs. The features of the Fund, however, were not so propitious. The ambiguity of

³³ 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, staff ‘in the field’ are generally more supportive. See, for example, Bebbington (2004: 52), Rosenberg and Korsmo (2001: 297), Aycrigg (1998: 18), and chapter four above.

the Fund's role within the emergent process conditionality of the PRSP initiative is highlighted by the position taken by Resident Representatives in the participatory processes surrounding individual PRSPs. Reviewing the Fund's experiences after five years of the initiative, the IEO paid particular attention to Res Reps' performance. The IEO 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).

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,³⁴ non-governmental organisations (e.g. Bretton Woods Project 2009, Grusky 2000), or academic sources (e.g. Lazarus 2008, Fraser 2005, Craig and Porter 2002), 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,³⁵ the problems from the organisation's minimal participatory turn stem from an underoperationalisation rather than deliberate cynicism. Rather than flowing from a

³⁴ See IMF IEO 2004: 69.

³⁵ The IEO itself admits that 'in general, the [PRSP] processes have not generated meaningful discussions... of alternative policy options' (IMF IEO 2004: 3).

deliberate duplicity on the part of the IMF, the gap between the organisation's performance and the rhetoric surrounding the PRSP initiative occurred through 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 suggests that 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.³⁶ 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 (Ivanovna 2006, Boughton 2003, Khan and Sharma 2003, Boughton and Moumouas 2002, Cordella and Dell'Araccia 2001). 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.

³⁶ It has been suggested (e.g. Lazarus 2008) that the Fund's 'participatory turn' was an attempt to counteract its perceived legitimacy crisis in the late 1990s. Whilst this may have been a contributing factor, I suggest that, because of its fit with the technocratic, evidenced-based culture of the Fund, the growing 'political economy' knowledge regarding the participation-ownership-implementation nexus is of deeper significance.

In recent years, an alliance of members of staff in the IMF with an interest in such political economy issues has developed. Through an informal Political Economy Group, individuals disseminate research highlighting the need to consider the interests of key veto-players when designing adjustment programmes.³⁷ The unifying feature of this work is the idea that it is necessary to examine the interrelationship 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.³⁸ 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. Some pressure has been applied to Resident Representatives and Mission Teams to broaden the range of domestic actors they consult with, although 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 toward widening stakeholder

³⁷ This informal network was mentioned by several interviewees as evidence that a concern with ‘political economy’ issues taking root at the IMF.

³⁸ Figures collated using the IMF Official Website ‘Publications Search’ function, at <http://www.imf.org/external/pubind.htm>.

interaction. A recent IEO report suggested 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.

5.5. Conclusion

It is an often-repeated maxim in contemporary politics that the holders of power should be accountable to the populations they serve. Equally common is the charge, made by various representatives of 'the people', that these accountability structures are in some way deficient, and in pressing need of reform. These discussions can generate a heated controversy when they take place around domestic governance structures, with their well-known and broadly accepted accountability structures; when the debates migrate to the world of international organisations, with their difficult-to-trace spheres of operation and their general inaccessibility, the levels of discontent often multiply. Amongst all IOs, the IMF in its recent history has attracted an unparalleled degree of criticism in this regard. Charges of acting under a democratic deficit have been made against the Fund, and its institutional structure has been criticised for effectively debarring low-income populations from influencing operational practices.

At the IMF, the delegated model of stakeholder accountability that was implicit in its founding structure has remained the dominant mechanism through which the organisation's relationship with in-country groups is conducted. The standard operating practices and bureaucratic culture that supported this model of stakeholder accountability 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 that 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 Resident Representatives 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 accountability 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 accountability practices of the Fund 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 of the thesis, the intersection of the politics of accountability and projects advocating cosmopolitan global governance is examined. It is shown that the insights from this chapter into the micro-processes through which change occurs in the mechanisms of stakeholder engagement at the IMF can be used to improve the real-world tractability of these more normatively driven calls for change. The shared importance at both the IMF and the World Bank of periods of crisis *and* of deeper processes of institutional learning are particularly instructive in this regard. Indeed, it is shown that the empirical and conceptual innovations provided in each of the preceding chapters of the thesis can be integrated with the broader literature on cosmopolitan global governance, and framed around the meta-question of the Bank and Fund's impact on the 'construction of governance space' in low-income countries. It is to this issue that the thesis now turns.

Chapter Six – Conclusion: The ‘Ins and Outs’ of the Politics of Accountability at the World Bank and IMF

6.0. Introduction

In the main body of the thesis, I have outlined a series of contemporary developments that are occurring within the World Bank and IMF. These were focused firstly, in relation to shareholder accountability, on the mechanisms through which key creditor states have sought to monitor and control the low-income country lending activities of the organisations, and secondly, in relation to stakeholder accountability, on the dynamics driving changes in the structures through which the IOs and in-country groups interact. Through this concluding chapter, I step outside of this analytic exploration of contemporary developments, and engage with a more normatively driven literature. Specifically, I explore the synergies between the analysis presented in these earlier chapters and the literature on cosmopolitan global governance.¹ This shift into a more consciously critical mode allows for the internal lessons of the main body of the thesis to be connected in to broader debates on IOs – that is, it allows for the ‘ins and outs’ of the politics of accountability to be explored.

Clearly, the cosmopolitan literature provides just one of several sub-sets of literature that could potentially be drawn upon in order to undertake this shift into critical analysis. The more ‘problem-solving’ approaches,² including the ‘realist’ and ‘liberalist’ variants,³ are eschewed because of their lack of an emancipatory drive. By taking existing structures of global governance as their starting point, and from there

¹ Within the chapter, the term ‘global governance’ is used to refer to the (commonly hierarchical) relationships linking formally recognised international organisations to national and sub-national structures of government. This understanding encompasses – and indeed is structured by – the concerns of the ‘formal’ and ‘informal’ branches of cosmopolitan institutionalism, as outlined below. The discussion within the chapter remains focused on the World Bank and IMF, although, as is noted below, there is significant potential for the ideas raised to be applied to other arenas.

² The phrase is, of course, borrowed from Cox (1986).

³ See Gilpin (2003) and McGrew (2003) respectively.

seeking to explore regularities in (states') patterns of behaviour, such frameworks serve to close down the space to explore the dichotomy between the 'is' and the 'ought' of global governance. Readings of global governance founded on a more materialist base, such as the Marxist and (neo-)Gramscian approaches, perhaps provide the most prominent examples of alternative critical models. However, the way in which structures of global governance are understood within these ordering frameworks is fundamentally at odds with the analytic framework adopted in the main body of the thesis: what, in the main body of the thesis, are viewed as intrinsically interesting dynamics that are shaping important aspects of the Bank and Fund's operationalisation of their mandates would, according to these frameworks, be of interest only in relation to the (re-)production of dominant patterns of economic relations.⁴

The reasoning behind the engagement with cosmopolitan literature in this closing chapter is instrumental, and is driven by the potential fruitfulness of such an encounter.⁵ There is a significant degree of cross-over between the concerns at the heart of the main body of the thesis and the themes at the centre of cosmopolitan analyses of global governance – namely, the mechanics of power in the world of IOs, and the means through which access to such arenas of decision-making become more dispersed. By adopting the cosmopolitan framework, it becomes possible to investigate what the insights of the main body of the thesis into the politics of change at the Bank and Fund can tell us about the prospects for the democratisation of global governance. The goal of this cross-pollination is to both suggest ways in which to increase the 'real world tractability' of the cosmopolitan literature on IOs, and to 'hook-up' the insights of the previous chapters regarding the politics of change to an

⁴ See, for example, Cammack (2003, 2002) and Cox (1987).

⁵ Such a justification is firmly in line with the pragmatist spirit underpinning the research project as a whole, as outlined in Chapter One.

explicitly normatively driven project. A series of tactical synergies are drawn, whereby suggestions are made as to how cosmopolitan goals can be made more 'saleable' to actors within and around the Bank and Fund, and the beginnings of a potential future research agenda around 'international organisations and the construction of governance space' is mapped out.

In examining the ins and outs of the politics of accountability at the World Bank and IMF, the chapter proceeds according to the following structure. The opening section introduces the key themes that arise at the intersection of the politics of accountability and debates over cosmopolitan global governance. Here, the benefits to be had by advocates of cosmopolitanism from an increased focus on processes of change in particular IOs are highlighted, and the contradictory pressures vis-à-vis the realisation of cosmopolitanism that inhere within the politics of shareholder and stakeholder accountability are introduced. The second and third sections serve to recap the main lessons of the previous chapters of the thesis. Section two reviews the dynamics within relationships of shareholder accountability, and reflects upon the tendency towards universalisation that resides therein. Section three focuses on the lessons learned regarding the processes through which mechanisms of stakeholder accountability are (re-)produced at the Bank and Fund. Here, the component parts of the drives to broaden stakeholder participation in the IOs' operations are recalled, as are the inertia-generating characteristics of the institutions. Section four then clarifies the contribution of these overall lessons to debates on cosmopolitan global governance. I suggest firstly that a close focus on the process of change in IOs is a necessary corollary to grand cosmopolitan narratives, and secondly that the relationship between contemporary developments at the Bank and Fund and the prospects for cosmopolitan governance depend on our reading of how the IOs are

shaping ‘the construction of governance space’. The final section of the chapter concludes with some thoughts on avenues for future research that could fruitfully build on the foundations laid by the thesis. In particular, I outline a research agenda directed towards uncovering the dynamics that are unfolding around the implanting of ‘appropriate standards of governance’ in particular low-income countries.

6.1. The politics of accountability and the prospects for cosmopolitan global governance

It is important to remember that the Bretton Woods Twins are amongst the most powerful institutions of global governance. In the contemporary order, these international organisations oversee and administer vast flows of finance. The combined amount of resources disbursed by the Fund and Bank through the PRGF and IDA concessional lending windows in financial year 2008-09 was some US\$15.1 billion.⁶ This number assumes a much greater degree of significance when it is placed alongside the total flow of foreign direct investment to developing countries over the same period, which, as just US\$0.6 billion, represents less than four percent of the Bank and Fund controlled flows.⁷ In the case of low-income countries, these resources can become a vital component of state revenue, underpinning both investment in infrastructure and more routine government operations. Indeed, it is not uncommon for Bank and Fund supplied finances to make up over 10 percent of government expenditures in the lowest-income countries.⁸

⁶ See IMF Official Website, at <http://www.imf.org/external/pubs/ft/ar/2009/eng/pdf/a2.pdf>, and World Bank Official Website, at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22233771~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.

⁷ For data on foreign direct investment see United Nations Conference on Trade And Development Official Website, at <http://stats.unctad.org/FDI/TableViewer/tableView.aspx?ReportId=3084>.

⁸ This has been the case over recent years in Mozambique, which is an unexceptional example (World Bank 2008).

In part because of the importance of the World Bank, the IMF, and other international organisations in the current global order, a great deal of academic attention has focussed on the question of their control. It is possible, following the classic Humean distinction,⁹ to categorise such works as falling into two camps: those that focus on the ‘is’ of international organisations; and those that focus on the ‘ought’ of international organisations. Although the main body of the thesis has focussed squarely on the former question, this closing chapter acts as a bridge into the latter. More specifically, it provides a bridge into cosmopolitan-based works. Founded on a belief in the equal moral worth of individuals, an argument runs through these works that institutions of global governance should be restructured so as to foster emergent practices of ‘global citizenship’.¹⁰ By highlighting the potential synergies between these two groupings of literature, I show that there is room for improvement in both. In short, I show that analyses of the ‘is’ of IOs can be more effectively ‘put to use’, and analyses of the ‘ought’ of IOs can increase their ‘real world’ tractability, by drawing on each others’ respective insights. In building towards these conclusions, I first outline the key objectives of cosmopolitan projects of global governance, before then highlighting the salient features within the politics of accountability in IOs that can both contribute to *and benefit from* these more explicitly normative frameworks.

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’).¹¹ In recent decades, there has been something of a resurgence of interest in cosmopolitanism, sparked in particular by the end of the Cold War. The ending of an entrenched structure of geo-governance, based on a binary opposition of

⁹ See, for example, Norton and Norton (2000).

¹⁰ For a comprehensive review, see Cabrera (2010: 30-9) or Archibugi (2004).

¹¹ ‘I am a citizen of the world’. Quoted in Aksu (2007: 275).

East versus West, opened up intellectual curiosity over possible alternative futures. Consequently, 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 (Archibugi and Held 1995).¹² It is this strand of ‘institutional cosmopolitanism’ that provides the most useful counterpoint against which to draw out the implications of the politics of accountability in IOs.¹³ In order to draw out the full implications of the politics of accountability at the World Bank and IMF, I focus on both the formal and informal variants of institutional cosmopolitanism.

The writings of David Held on a ‘cosmopolitan order’ are emblematic of the formal branch of institutional 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 (for example Latin America and Africa) and the enhancement of such bodies where they already exist (the European Parliament)... 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.

Of course, the degree of control by individual agents of these structures would remain minimal. As Cabrera (2010: 31) makes clear, the aim of such cosmopolitan projects is not some illusionary utopia in which ‘each individual... [holds] some extraordinary veto power over agreements between states, or rules enacted by suprapstate institutions’. Rather, the defining principle that is sought out by formal institutional cosmopolitanists is more modest, holding that ‘at a minimum, actions deeply affecting individuals’ interests must be justifiable to them’ (Cabrera 2010: 31).

¹² An analogous development occurred through the Global Civilisation Programme, which (by heeding a ‘tip-off’ in 1986 from Georgi Shakhnazarov, special assistant to Mikhail Gorbachev) was impressively ahead of the curve (Falk 1995: vii).

¹³ The phrase ‘institutional cosmopolitanism’ is used by Cabrera (2010: 33), from where I borrow both the term and the meaning.

When translated into a real world context, the realisation of this criterion implies, in the words of Charles Beitz (2005: 17), that ‘each person should be treated as having equal standing as an addressee of justification’. This is said to necessitate a significant rupture from the state-centrism that dominates the operations of IOs. For formal institutional cosmopolitanists, it is a measure of a just system 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 suprapstate rule and operations of suprapstate institutions (Cabrera 2010: 31).

Whereas the 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, institutional cosmopolitanism demands that an inclusive, subsidiarity-based procedure be followed. The formal institutional branch of cosmopolitanism demands, then, that the operating procedures of IOs undergo major modification, to allow for wider (global-)citizen participation in spheres of international governance.

An interesting component to cosmopolitan works holding a formal conceptualisation of institutions is provided by a subset of works examining the more informal institutions of governance. With a focus on informal structures of power, writers such as Dryzek and Habermas view the opportunities for the realisation of cosmopolitan democracy as far more ubiquitous than do formal institutionalists. For Dryzek (1990: 92), rather than seeking solutions *within* IOs (which suffer from the potential pathologies common to any complex, problem-solving bureaucracies), it is argued that the decentralised character of ‘discursive democracy’ provides individuals with the opportunity to critically engage in the restructuring of their ‘lifeworld’. This lifeworld is the social network within which individuals interact to maintain and

reconstruct subjectivities and personalities, and through which self-realisation can be achieved. The danger, according to Dryzek, lies in the potential of formal institutions acting to close down the fluidity of these lifeworld networks. Similarly, Habermas (2001: 88) writes optimistically of the potential of the ‘postnational constellation’ to provide opportunities for democratic self-steering by societies outside of traditional, formal structures. By ensuring open communication between internal state processes and the contexts and policies of world organisations, Habermas argues that it becomes possible to develop a ‘world domestic polity’ (2001: 110).

From the informally-oriented perspective, the key location at which to examine the impact of IO actions becomes not the IOs themselves, but rather social processes within recipient societies. It is necessary to judge the extent to which IOs become implicated within ‘totalising’ projects. Recognising that complex bureaucracies can work to both ‘enable *and restrict*... the character of governance’, the operational challenge for IOs (and the analytic challenge for observers) becomes to negotiate the line between inclusion and exclusion (Neu et al 2006: 636). The tendency on the part of IOs to err in this regard is well established, and it indeed has been suggested that totalising dynamics are inextricable from their attempted ‘government at a distance’:

The single perspective allowed by [IOs’] informing technologies is that of the centre; the perspectives of those on the periphery are lost, discarded... What information is gathered and reported is mediated by differing understandings of what constitutes ‘appropriate’ information (Neu et al 2006: 638-9).

From this standpoint, the very attempt to monitor, evaluate, and control an IO can serve not only to squeeze-out stakeholders’ ability to alter the actions of the IO, but also to control matters closer to home. When governance frameworks are handed down from IOs detailing how a policy problem should be understood and addressed, *and* when these problems are structured in a rigid hierarchy, the room for self-

determination becomes limited.¹⁴ Whereas formal institutionalists are concerned with realising reforms to IOs' operating procedures, informal institutionalists are concerned more with the impact of IO actions on the politics of everyday practices.

A common criticism of cosmopolitan works is that they exhibit a strong tendency to remain rooted in the realm of the ideal. This characteristic has been identified by critics as restricting the usefulness of grand cosmopolitan narratives; indeed, Ralph Dahrendorf goes so far as to dismiss such projects as akin to 'barking at the moon'.¹⁵ A number of contributions to this debate have made calls for this shortcoming to be addressed (e.g. Archibugi 2004, Goldblatt 1997), or indeed have attempted to lead by example by framing discussions of cosmopolitanism around detailed empirical work (e.g. Cabrera 2010). The reasoning behind this nascent shift are laid out clearly by Aksu (2007: 288):

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.

In order to enhance its claims to relevance, it is argued that cosmopolitanism must link up with analyses of real world processes and mechanisms of change.

The grounds on which the politics of accountability meets cosmopolitan global governance are now beginning to emerge. The lessons regarding the characteristics of IOs that shape the evolution of mechanisms of stakeholder accountability can be 'hooked up' with the concern of formal institutionalists that governance structures be reformed to empower the groups most directly affected by IO actions; and the lessons regarding the potentially universalising tendencies of

¹⁴ Neu et al (2006) provide just such an examination of the World Bank's governance of education policy in Latin America.

¹⁵ Quoted in Archibugi (2004: 438).

shareholder groups can be ‘hooked up’ with the concern of informal institutionalists that IOs maintain an appropriate degree of flexibility in the governance frameworks that they transmit to member countries. This fusing of insights is undertaken in the fourth section of the chapter. First, comprehensive reviews of the politics of shareholder accountability and politics of stakeholder accountability at the World Bank and IMF are provided.

6.2. Paying the piper, calling the tune?

Material resources matter in the world of IOs. Although the precise funding structures of the Poverty Reduction and Growth Facility and International Development Association differ, in both institutions a collection of key creditor states have come to occupy important strategic positions from which they control, or at least can convincingly claim to control, the IOs’ funding streams. 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 toward grant-based disbursements 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 2006: i), and there are calls from creditors for the proportion to be raised further to 50 percent 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 2009: 6). The lack of an IDA-style institutionalised process of negotiations minimises the opportunity for pressure to be applied by creditor states. In addition, a substantial amount of the supplementary resources needed for PRGF operations have come through the sale of portions of the IMF's vast gold stocks.¹⁶ As these stocks consist in the main of membership quota subscriptions over which the Fund holds legal ownership,¹⁷ 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.¹⁸ 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 in the global economy are willing to use their privileged position to push for IO reform. Toward what overall end, though, are these mechanisms of influence employed? Chapters two and three generated a number of insights into this issue, although it is perhaps useful to begin

¹⁶ For information on the financing of PRGF lending see IMF Official Website, at <http://www.imf.org/external/np/exr/facts/prgf.htm>.

¹⁷ At approximately 3,200 metric tons, the IMF's gold stock is the third largest in the world. See IMF Official Website, at <http://www.imf.org/external/about/gold.htm>.

¹⁸ For an overview of the major events in the Fund's use of gold, see IMF Official Website, at <http://www.imf.org/external/np/exr/facts/gold.htm>.

by addressing the question in the negative. Contrary to the claims of much literature within international studies (e.g. Morgenthau 1960, Waltz 1979, Dunne and Schmidt 2001, Andersen et al 2006), state action is not guided by narrowly self-interested motives. The findings of the earlier chapters of the thesis refute such a reading of state behaviour in the international sphere; instead, a much more nuanced picture was found, in which intricate mechanisms of socialisation play a central role in guiding action.

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 thesis, 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 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 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 1968-81),¹⁹ a concern with 'social lending' directed toward 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 legitimisation device for its activities.

This positive feedback cycle continues to evolve at the World Bank. Creditors states' push with the results agenda, most recently consolidated with 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 Millennium Development Goals. 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

¹⁹ McNamara is pipped at the post for the title of longest serving President by Eugene Black. The former held the post for 13 years and two months, the latter 13 years and five months. See World Bank Official Website, at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/EXTPRESIDE NT2007/0,,contentMDK:20510826~menuPK:64822290~pagePK:64821878~piPK:64821912~theSitePK:3916065,00.html>.

it should approach its mission. Entrepreneurial individuals and groups within the institution that favour a multidimensional conceptualisation of poverty (as opposed to the Bank's traditionally economic 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. The wider consequences of these processes are returned to below; for now, a brief review of the politics of shareholder accountability at the IMF is provided.

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. With unparalleled access to data and key practitioners, the Fund rapidly became a leading centre of expertise on the interconnectedness of national currency systems. Consequently, 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 toward 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 Structural Adjustment Facility,²⁰ 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. Garuda 2000, Grusky 2000, Wade 1998, Bird 1995, Bradlow 1995, Killick 1995), 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. At heart, these disagreements are a consequence of the lack of shareholder agreement as to what constitutes a ‘balance of payments emergency’. For a group of low-income countries, deeply embedded impediments to growth mean that current account deficits will likely remain a persistent problem. Without a clear consensus as

²⁰ The first SAF arrangements were agreed in 1986. Following an unexpectedly low demand, in 1987 the Enhanced Structural Adjustment was announced with increased lending limits.

to where the line between emergency stabilisation and long-term development lies, the parameters of the Fund's engagements over the medium-term will remain uncertain.

Because of creditor states' greater success in securing reforms at the Bank relative to the Fund, the potentially totalising tendencies of IOs are more clearly in evidence in the former arena. Here, there is a clear tension between the positioning of an MDG-centred conceptualisation of poverty reduction as *the* central priority of development policy, and the maintaining of an open environment in which policy goals can be set by 'democratic self-steering'. At the Fund, the intra-shareholder disagreements have hampered the emergence of a concerted push to tie-down the output of the IO, and so the totalising pressures are correspondingly lower. Interestingly, it is within the dynamics around the politics of stakeholder accountability at the Fund that these totalising pressures most clearly emerge. These trends, and the corresponding developments at the World Bank, are outlined in the following section.

6.3. Institutional learning and stakeholder engagement

In sharp relief to the shareholder accountability relationships at the World Bank and IMF, which were characterised by stable principal-agent arrangements, a core focus on the politics of stakeholder accountability 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 learning that has underpinned these reforms. Although in many matters of detail the story of the politics of stakeholder accountability 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 over-arching 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 journeys undertaken through the politics of stakeholder accountability at the World Bank and IMF began to diverge.

The beginning of the poverty reduction shift in the World Bank, which emerged during the stewardship of Robert McNamara through the 1970s, marks an important moment in the politics of stakeholder accountability 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 have led Bank policy-based operations to increasingly include conditions relating to domestic mechanisms of stakeholder accountability. The focus of the World Bank's research department through the 1990s on the importance of institutional constellations 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 accountability 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 Poverty Reduction and Economic Management's Public Sector Group 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 accountability 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 accountability 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 politics of stakeholder accountability at the IMF have 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 a more enduringly hostile

environment to stakeholder accountability reforms than the World Bank, the relatively minor changes that have occurred are deeply 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, focussed as they are on improving the delegated accountability mechanisms, represent something of an indirect 'opening of doors' to low-income country stakeholder groups. Through the evolving role the Fund's Resident Representatives, 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 co-ordination 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' Poverty Reduction Strategy Papers, 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 take this performance as a stick to beat the IO with, 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. An economistic understanding of individual behaviour dominates the Fund's bureaucratic culture, with the underpinning analytic approach seeing action as a function of utility-maximising agents responding to environmental modifications, and ascribing a high degree of automacity to social interactions. However, the growing number of works examining the links between conflicting individual interests and potentially sub-optimal aggregate outcomes, which highlight the need to consider the role of individual veto-players when designing adjustment programmes, represent an important break. 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 focussed aspects of the politics of stakeholder accountability at the IMF, recent years have witnessed the rise of the idea of the 'disciplinary stakeholder'. In the light of the Mexican 'Tequila 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. Although the GDDS has the appearance of a routine, even mundane, operational development, by pushing the governments of member states to publicise such politically important figures as unemployment, growth rates, inflation, and government revenue and expenditure, the Fund is acting at the boundaries of its apoliticism. The intersection of developments such as the GDDS and the wider politics of stakeholder accountability at the World Bank and IMF with literature on cosmopolitan global governance shall be turned to presently; first, the general insights into the politics of stakeholder accountability are reviewed.

The 'take-home message' from the analysis of the politics of stakeholder accountability is clear: change happens, but, in order to become embedded, it must be justifiable in terms that cohere with the dominant bureaucratic culture of an IO.

Mechanisms of stakeholder engagement surrounding the operations of the World Bank and IMF have over the years altered, and although periods of crisis have at times played an important role in catalysing developments, internal norm entrepreneurship and institutional learning help cement these dynamics. In addition to these reforms to the channels for direct interaction between in-country populations and the IOs, the ‘straying’ of the Bank and Fund into issues of domestic governance (and particularly their efforts to push low-income countries to improve the effectiveness of their mechanisms of stakeholder accountability) constitute an important strand of change. This process, too, has been characterised by piecemeal behavioural change in line with altered knowledge frameworks. These insights have important implications in relation to cosmopolitan global governance, which are now explored in detail.

6.4. Joining up the dots

In expanding the boundary of the investigation to consider the intersection of the politics of accountability and cosmopolitan global governance, the overarching goal was to explore the implications of the research project more comprehensively. The broad lesson of this collapsing-out is clear: there is significant room for mutual gain from the bringing-together of the literatures examining the ‘is’ and the ‘ought’ of international organisations. Regarding the formal institutions of global governance, the synthesis between the politics of accountability and cosmopolitan projects enables calls for reform to be tied to detailed knowledge of existing mechanisms of change in IOs. Regarding the intersection of IOs and the less visible structures of power that are concentrated on by informal cosmopolitan institutionalists, the synthesis provides a

framework around which a normative judgement on contemporary developments can be built. In the paragraphs below, these two branches of synthesis are outlined in turn.

The call to radically reform the institutions of global governance is at the heart of the cosmopolitan project. Flowing from a belief in the equal moral worth of individuals, arguments have been put forward that the structures and operating procedures of IOs be reconstructed so as to allow interested citizens to have direct access. The aim is to allow those groups and individuals most directly affected by decisions taken within IOs to express their views, demand justifications, and collectively accept or reject proposed actions. It is important to note that, over the past decade, reforms to operational practice have been implemented at both the World Bank and IMF that have led to movements in this general direction. At the Bank, efforts have been made to deepen the belief of operational staff in the efficacy of social participation as a means of improving the design, implementation, and monitoring stages of a project cycle. This followed the repositioning of several identifiable groups as holding a special claim to legitimately be incorporated into decision-making structures by the Bank through the 1980s, and the launch of the Inspection Panel to ensure that these claims were (where appropriate) realised. At the Fund, this trend is illustrated by the push to open up Resident Representatives and Mission Teams to a wider range of stakeholders. Although both sets of developments have been widely written-off as laying somewhere between inadequate and cynical,²¹ key lessons can be transferred to cosmopolitan projects from the dynamics that surround them.

By acknowledging the utility of ensuring that there is a coherence between calls to reform mechanisms of stakeholder accountability and an IO's internal

²¹ See, for example, Lazarus (2008), Frazer (2005), Bradshaw and Linneker (2003), and Grusky (2000).

bureaucratic culture, demands for operational change from cosmopolitan writers could be made more ‘saleable’ to the IOs themselves. This is not to say that demands must be ‘watered down’, but rather that the IO’s language of expertise must be engaged with.²² The necessity of making calls for change more credible has been highlighted by a number of reviews of cosmopolitan global governance (e.g. Aksu 2007, Archibugi 2004, Goldblatt 1997). In the case of the World Bank and IMF, the practical requirement would be to expound the benefits to be gained from an extension of the mechanisms of stakeholder interaction in terms of project- and policy-implementation. The achievement of this end is not as onerous as it might at first appear. Within the Bank and Fund nascent research projects examining the links between participation and outcomes already exist, and provide a fruitful point of engagement. There is potential for appropriately pitched calls for operational change to dovetail with the growing understanding of economic development as a fundamentally social process, the beginnings of which can be seen at both the Bank and the Fund. Indeed, in relation to other key issues in global governance, it has been shown that linking up effectiveness-based arguments with more normatively-based arguments has been a successful way of advancing radical calls for change.²³

In addition to heeding the close relationship between institutional learning and behavioural change in expertise-based IOs like the World Bank and IMF, and exploring the means of linking in to these dynamics, the impact of cosmopolitan works could further be increased by appreciating the role played by periods of crisis in fermenting operational change. The effect of crises in opening-up paths of change

²² The action of NGOs within the ‘drop the debt’ campaign, who questioned the IMF’s initial figures and calculations and successfully pushed it to implement a more nuanced (and broader) definition of unsustainable debt, provide a practical example of an argument being ‘translated’ without being watered-down. See Broome (2009) for a detailed account of this process.

²³ See Busby (2007) on the deployment of this technique in relation to the extension of multilateral debt relief, and Brassett (2009) in relation to campaigns in favour of a Tobin Tax.

in IOs has long been established (e.g. Best 2007, Barnett and Finnemore 2004, Fox 2000), and was shown in previous chapters to remain the case in the recent history of the Bank and Fund. By developing a greater willingness to tie-in to contemporary issues, and to frame their reform prescriptions in terms of their contribution to overcoming major points of criticism, the tractability of cosmopolitan works could be increased. In relation to the contemporary criticisms of the World Bank and IMF, one of the recurring charges is that of the 'democratic deficit' (e.g. Woods 2004, Woods and Narlikar 2001). There is clear scope for institutional cosmopolitan writers to draw more explicitly on this issue in order to advance their calls for reform.

The task of joining up the dots between formal institutional cosmopolitanism and the lessons of the investigation into the politics of accountability is, then, comparatively straightforward. When we move on to consider the intersection of informal institutional cosmopolitanism and the politics of accountability, the picture becomes more complex. In contrast to the concrete tactical synergies that can be forged between the insights of the politics of accountability at the Bank and Fund and the formal cosmopolitan project, there is less of a neat tying up of loose ends in relation to IOs and the more informal power structures. Rather than allowing for strong conclusions to be immediately drawn, this synthesis provides a framework around which a normative judgement on contemporary developments can be built. Preliminary reflections are set-out below, and in the closing section of the chapter the future directions for research that are implied by the framework are explored in more detail.

For cosmopolitan writers focussing on informal structures of power, the primary relationship of interest is the interaction between the international level and domestic social structures. The tension between, on the one hand, the tendency of IOs

to hand-down pre-formed governance frameworks to developing country governments, and on the other, the capacity of local actors to steer governance processes toward their own chosen ends, is of particular interest. There are two discrete insights from the politics of accountability at the World Bank and IMF that can be transplanted into this broad analytic framework, relating firstly to the potentially totalising effects of shareholders' desire to monitor and control IOs, and secondly to the potential limits to stakeholder autonomy that accompany the IOs' attempts to 'enhance' domestic governance structures.

It is at the World Bank that the totalising dynamics within shareholders' attempts to monitor and control IOs can most clearly be seen. With its efforts to support the capacity of its poorest borrowers to monitor 'poverty', as defined primarily by indicators for the MDGs, the World Bank is contributing to the normalisation of a very particular conception of 'poverty'. This 'sedimentation' is a central part of the 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. Through this process, 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 (Breslau 2003: 381, Blyth 2002: 150). As concepts become standardised and quantified, social space potentially becomes more 'legible' and 'amenable to the techniques of state officials'; however, the flipside of this increased legibility is the crowding-out of the views of individuals and groups occupying the social space under focus (Scott 1998: 82, 356).

In relation to poverty reduction, the question of whether the framework being handed down by the Bank is serving to restrict the autonomy of the poor themselves

to influence the priorities of government action is of great importance. The evidence of discontent amongst low-income country governments is readily apparent. In its Poverty Reduction Strategy Paper,²⁴ 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.

Similar evidence can be found in several countries' lobbying for permission to re-name their PRSPs in more neutral language.²⁵ Overall, though, the question of whether the Bank is acting to 'open' or 'close' governance space remains unresolved, and particularly so in the face of developments within its practices that aim to bring country populations in to decision-making structures.²⁶ Ways forward on this question are explored in the following section.

At the IMF, there is less clear evidence of the potentially totalising effects of shareholder pressures on the IO. Owing in part to intra-shareholder disagreements as to how the Fund should operationalised its mandate in its interactions with low-income members, a concerted effort to tie-down the output of the IO and monitor its effectiveness has not emerged. Interestingly, it is around reforms that have occurred in recent years regarding the rise of the 'disciplinary stakeholder' that this tension can be seen. By setting out a series of universal data standards for member countries to

²⁴ PRSPs, it will be recalled, are the developmental roadmap that low-income country governments must produce to access debt reduction through IDA and PRGF.

²⁵ Several interviewees at both the World Bank and IMF noted this frustration on the part of low-income country governments.

²⁶ The Bank has long been heavily criticised for failing to draw on the expertise of the poor themselves when designing developmental projects. Criticism has come from both outsiders (Hancock 1989: 124-31, Mehta 1994:117-34) and insiders (Ellerman 2006: 1-7). However, in addition to the mechanisms of stakeholder engagement outlined in chapter four, the Bank is continuing to push low-income to use participatory poverty assessments in order to solicit the input of the poor themselves into the setting of developmental priorities (Robb 2002: 4, World Bank 2000:1).

collate and present key macroeconomic and sociodemographic data, the possibility of the ‘views of the centre’ acting to restrict the autonomy of in-country populations is clear. The judgement call as to whether, by providing such a comprehensive data framework, the Fund is providing stakeholders with a useful tool or pressuring stakeholders to ‘see’ policy issues in an orthodox manner is, of course, difficult to make. Some preliminary indications on the matter can, though, be put forward.

On the ‘negative’ side of the balance sheet, although in isolation the GDDS can appear to be a neutral means of information provision, in reality the initiative functions in parallel to other operations of the Fund. Although the macroeconomic data that governments are required to collate and disseminate within the GDDS framework may seem to be an ‘open’ resource, available to be freely interpreted by stakeholders, this very same data is tied in to Fund arrangements with country governments. In this manner, the Fund is sending strong signals to domestic groups as to how this data should be interpreted. Although these judgements are presented as technocratic and apolitical, this is rarely the case. As was noted in chapter three, for example, although Fund arrangements routinely use countries’ reserve position as a determinant of aid-inflow absorption, there is room for debate on the appropriateness of this link. Similarly, the zero ceilings that are routinely placed on the contracting of non-concessional debt serve to restrict the limits of possible action, and in doing so seem to close-down the domestic governance space of member states.²⁷ In relation to the guidelines on sociodemographic data within the GDDS, the existence of ‘core’ universal data measuring population, health, education, and poverty, has potential to

²⁷ On the contracting of non-concessional debt, see IMF (2009: 5).

restrict both the way in which these policy spheres are understood and the range of solutions that remain thinkable.²⁸ However, this issue is by no means clear-cut.

On the ‘positive’ side of the balance sheet, within the sociodemographic framework of the GDDS space is left for the opening-up of governance space through the customisation of data. Whilst, for example, the ‘core’ poverty indicators are centrally determined and based on proxies for the Millennium Development Goals, governments are able to include a selection of country-specific data in their overall frameworks. More generally, on an intuitive level it appears plausible that, by pressuring governments to regularly disseminate a wide range of macroeconomic and sociodemographic data to their domestic audience, the GDDS will serve to generate policy debate. Information on government action is an absolute prerequisite to the construction of the governance space within which domestically situated groups and individuals act to steer governance frameworks; as such, the GDDS (and the Fund’s wider transparency drive) constitute a valuable resource. Although the impact of this data framework will never be neutral, and will necessarily have implications for domestic social relations, it is important that firm judgements on the issue are taken on the basis of solid empirical research.

The intersection of the politics of accountability and cosmopolitan global governance creates two distinct crossroads, at which the lessons drawn from the analysis of contemporary trends at the Bank and Fund in previous chapters hook into more normatively driven work on IOs. These crossroads concerned both the formal and informal structures of governance, and the joining-up of the dots at these two points produced contrasting pictures. The task of integrating insights around the former issue was comparatively straightforward. A series of tactical synergies were

²⁸ For an overview of these core components see IMF Official Website, at <http://dsbb.imf.org/Applications/web/gdds/gddscategorylist/>.

drawn, and it was shown that the effectiveness of cosmopolitan works could be increased through an engagement with the intricacies of the 'real world' processes of change in IOs. When informal structures of governance were turned to, the picture became more complex. Here, rather than providing the grounds for strong conclusions to be reached, the combining of the insights of the politics of accountability and cosmopolitan global governance instead allowed for the emergence of a framework around which judgements of contemporary developments could be constructed. In relation to the analysis of informal institutions, the key question becomes whether the actions of the IOs can be said to *enhance or restrict* the capacity of locally situated actors to pursue autonomous action. It is possible to identify dynamics operating in both directions, although it is fair to preliminarily suggest that it is at the World Bank, owing to the relatively effective application of shareholder pressure, that these totalising tendencies are more visible.

With the removal of the boundaries around the politics of accountability at the World Bank and IMF, it has become possible to begin to fully grasp the 'ins and outs' of the research project. Fruitful grounds exist upon which to explore the intersection of the processes of change outlined in the main body of the thesis with more normatively driven analyses of IOs. However, rather than representing a tidy point of closure, this synthesis has in fact served to bring a further set of important issues into focus. The closing section of the chapter, and indeed the closing section of the thesis, is used to outline these issues, and to the setting-out a programme of future research through which they can be explored.

6.5. Directions for future research

The investigation of the politics of accountability at the World Bank and IMF has generated important, and timely, contributions to the study of international organisations. In this concluding section of the thesis, I briefly flag up the conceptual and empirical contributions of the research project, and provide a sketch of a proposed research agenda.

Over the past decade, the Bank and Fund have faced increasing levels of criticism from a wide range of actors. In addition to a ratcheting-up of the ‘background noise’ of NGO complaints regarding the IOs’ ‘democratic deficit’ and the negative social and environmental consequences of their operations, the Bank and Fund have also attracted unprecedented levels of mass public opposition. This opposition has taken the form of demonstrations coinciding with key global summit meetings, and protests highlighting domestic anger at the perceived consequences of Bank- and Fund-supported policy programmes. Frustration is also voiced by actors on the inside of the governance structures surrounding the IOs, as can be seen through the ubiquitous references to the ‘mission creep’ and ‘unaccountable nature’ of the Bretton Woods Twins in politicians’ speeches. The research project sought to identify and increase our understanding of contemporary issues around the accountability of the Bank and Fund, and provides two forms of contribution to this end. These contributions are centred broadly around our conceptual and empirical knowledge of the IOs.

The central conceptual lesson of the investigation relates to the need to integrate the insights of rationalist and constructivist approaches to the study of IOs. The rationalist approach, typified by the principal-agent model, provides important insights into the mechanisms through which materially powerful actors can (attempt

to) structure the incentives of IO staff to achieve desired behaviour, and into the wider conditions that effect their ability to exert control. However, the assumption of stable preferences within this framework leads to significant aspects of the world of IOs being overlooked: the intricate socialisation processes through understandings of IOs' appropriate activities are fixed are overlooked, and the role played up the very establishment of monitoring frameworks in fixing the meaning of key ideas is not adequately captured. By combining the rationalist and constructivist approaches to the study of IOs, with the latter's focus on the social context within which understandings of appropriate behaviour emerge, these lacunae can be overcome. Additionally, the tendency of constructivist-based works to foreground the importance of ideational structures at the expense of the role played by agential behaviour in reshaping these structures can also be mitigated.

In order to integrate the role played by structure and agency in the process of change in IOs, a morphogenic framework was drawn upon around which to combine the insights of rationalist and constructivist works. This general framework allowed for the interaction of ideational structures and agential behaviour in the evolution of the 'positive feedback cycle' of IO monitoring at the World Bank and the 'negative feedback cycle' at the Fund, and for the micro-processes to be examined through which mechanisms of stakeholder interaction at the IOs were reformed. In line with the pragmatist underpinnings of the research project, the value of the analytic framework lies in its capacity to elucidate the mechanisms at work in the unfolding of a concrete series of events. There is significant scope for this framework to be refined through further investigations, focussing on either different operational developments at the Bank and Fund, or on the operations of other IOs.²⁹

²⁹ See Clegg (2010a) for an overview of the morphogenic approach and its application to a series of developments in the Bank and Fund not covered within the thesis.

In terms of the empirical side of the research project, broad contributions were made to the existing knowledge of contemporary developments and trends at the World Bank and IMF. Through an extensive analysis of archival and publicly available documents, publicly available databases, and interview material, a detailed picture of contemporary dynamics was built-up. The use by creditors of IDA negotiations as a tool for improving World Bank effectiveness, the existence of intra-shareholder disagreements regarding the appropriateness of PRGF lending, the role played by PRMPS at the Bank in advancing the cause of domestic stakeholder accountability and governance reform, and the nascent ‘political economy’ turn within the Fund are important highlights here. These and other insights leave the door open for future research to explore these dynamics in more detail, or to uncover analogous developments within other arenas of global governance.

The avenues noted above represent routes through which additions could be made to the investigation of the politics of accountability at the World Bank and IMF that, whilst significant, remain relatively limited. It is from the collapsing of the boundary around the research project that a broader agenda for future research can be seen to emerge. The call for the exploration of the linkages between the ‘is’ and the ‘ought’ of IOs’ formal structures invite a clear series of more general additions. There is significant potential for a tactical synthesis of insights into the intricate processes of change in IOs and cosmopolitan projects to be advanced, which could be done in relation to a broad range of IOs. The insights presented in this chapter regarding the necessity for cosmopolitan projects to engage more fully with the World Bank and IMF’s language of expertise provides a useful starting point for future analyses. However, it is in relation to the intersection of the activities of IOs and social

processes in domestic countries that the most expansive area of future research is opened up.

The extent to which the activities of IOs serve to open-up or close-down domestic governance space is an issue of pressing concern. Although there are a range of policy areas in which the actions of the Bank and Fund have potentially significant impact, it is in the field of poverty reduction that this potential is at its most profound. There is significant need for a future research agenda around ‘International Organisations and the Construction of Governance Space’ to be established.

The core aim of this research would be to track the agenda-setting power of the Bank and Fund from the global, to the national, to the sub-national levels, and for this to be done in a manner that is sensitive to the concerns of cosmopolitan writings on IOs reflected on above. As Neu et al (2006) found in relation to the global governance of education policy, there is significant potential for the views of the centre to not only shape, but also to distort, how an issue is seen by actors further down the governance chain. This agenda-setting power can distort to the extent that the governance structures and processes established – broadly, what gets done and what gets monitored in a given policy sphere – are at odds with the aims and requirements of local populations.³⁰ These pressures are plainly visible in the case of the World Bank, with the ongoing efforts to lock down its MDG centred results agenda.³¹ And the resources of the IMF too are currently being swung behind this issue.

In the decade following the 1999 declaration by the Fund’s then Managing Director Michel Camdessus that poverty reduction had become the most pressing issue in global governance (Camdessus 1999: 1), the attention of the organisation has

³⁰ Ellerman (2006) and Scott (1998) both provide compelling insights into this dysfunctional tendency of complex bureaucracies.

³¹ See chapter two, or Clegg (2010b) for an expanded version of the argument.

increasingly been directed towards this issue. Not only is ‘poverty’ one of the core sociodemographic elements within the General Data Dissemination Standard, but it is also becoming increasingly common within PRGF arrangements for conditions relating to the implementation of ‘poverty reduction expenditure tracking systems’ to be included.³² Indeed, it has recently been announced that in an effort to enhance the poverty reduction impact of Fund lending, minimum poverty reduction expenditure levels will be increasingly incorporated in concessional lending agreements.³³

Detailed country specific work is necessary in order to allow for a fuller understanding to be established of the developmental and poverty-reduction governance spaces currently under construction. By adopting a three-tiered approach, and analysing the global, national, and sub-national levels, it will be possible to explore the full dynamics within the evolution of these governance frameworks. At the global level it is necessary to track IO-supported interventions into domestic governance structures and processes. In practical terms, such an analysis would aim to uncover the quantity and form of statistical capacity building and more general monitoring and evaluation capacity building provided to government key agencies, as well as the specific content of policy and project lending (e.g. how commonly were poverty reduction expenditure tracking systems and floors included in policy programmes, and how commonly were ‘paper trails’ to record the poverty reduction impact of particular projects established?). At the national sub-national levels, the evolution of government and non-official developmental discourse could be tracked over time, as are visible through, for example, speeches, documents, and newspaper

³² For more information see Kibuka (2007). The increasing use of these expenditure floors was also noted by Ulrich Jacoby, Senior Economist in the Office of Technical Assistance Management, in an interview with the author, November 2008.

³³ See Burke 2010.

archives. Indeed, records of consultations carried out around the formation and review of Poverty Reduction Strategy Papers could provide a valuable source of such data.

The case studies around which to frame such an analysis of the Bank and Fund and the construction of developmental governance space require careful selection. The aim of the case studies would be to generate a rich understanding of developments within particular national contexts, and the extent to which cases chosen could be claimed as typical or representative would be low. However, as a ‘first cut’, aggregated data on references to the Millennium Development Goals or poverty reduction by key government ministers in a cohort of low-income countries could be generated, and the outliers investigated. Indeed, examples such as the Guyanese case referred to above, in which the government openly and explicitly rejected the language of ‘poverty reduction’ within its Poverty Reduction Strategy Paper, provide a self-selecting sample group with which to study conflicts between the international- and domestic-level standards of appropriateness in the field of development. However, case study selection would also rely on the expertise of investigators and co-investigators, and a range of practical considerations, including for example the availability of official and non-official archives through which to track evolving discourses, would also need to be carefully considered.

The World Bank and IMF appear to be providing increasing levels of material resources and information to enhance global poverty reduction. However, it remains to be seen whether the pre-existing operational goals that underpin the activities of these complex bureaucratic organisation serve ultimately to restrict domestic actors’ capacity for autonomous action. And beyond the World Bank and IMF, a broader multilateral alliance continues to re-position poverty reduction as *the* core problematique of global governance. The 2002 UN Conference on Finance for

Development provided the impetus for a concerted push on this front. The agreement reached at the Conference (commonly referred to as the Monterrey Consensus) laid out the responsibilities of low-income country governments to ensure that development funds were used effectively, chief amongst which was the enhancement of their capacity to monitor and evaluate the impact of aid flows (UNCFD 2003: 4-5). The Paris21 Consortium provides one of the institutional supports of the Monterrey Consensus. Paris21 works to coordinate a range of IOs (including the World Bank, IMF, UN, and OECD) around the improvement of low-income countries' poverty-reduction related statistical capacity. Owing to the scale of these activities, there is a pressing need to evaluate their impact on the domestic governance space of low-income countries. How poverty reduction is defined and measured will remain a controversial issue at the top of the developmental agenda through the opening decade of the twenty-first century; by examining the role of the Bank and Fund in the construction of developmental governance space in a rigorous and methodologically innovative manner, it will be possible to bring a degree of analytic tractability to the subject.

This thesis has aimed to clarify the conceptual tools at the disposal of analysts of international organisations, and to contribute to our knowledge of the contemporary dynamics surrounding the shareholder and stakeholder accountability relationships at the World Bank and International Monetary Fund. By adopting a morphogenic conceptualisation of change, I formulated an innovative method of integrating the core components of the rationalist and constructivist approaches to IOs. This analytic framework underpinned the structure of the main body of the thesis, and helped to generate the key insights therein. In relation to the politics of shareholder

accountability, it was shown that important differences between the Bank and the Fund, including notably the degree of shareholder unity, led to the emergence of a ‘positive feedback cycle of IO monitoring’ at the former, and a ‘negative feedback cycle’ at the latter. In relation to the politics of stakeholder accountability, it was shown that change to the mechanisms through which the IOs interact with low-income country populations occur incrementally, in response to both periods of crisis and deeper institutional learning processes. Important developments were seen to be occurring at the Bank and the Fund, regarding both their attempts to reform domestic level accountability structures and to reform the mechanisms through which they engage directly with these populations. Finally, by exploring the scope for a cross-pollination of ideas between the insights into the politics of accountability at the World Bank and IMF and works advocating cosmopolitan global governance, an outline was presented of a potentially fruitful avenue of future research.

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Annex 1 – Interviewees

Interviews were undertaken during a three-month period as a Visiting Research Scholar at American University, Washington DC, between November 2008 and January 2009. As the central argument for Chapter Two had been established through a detailed analysis of primary documents and databases in advance of this period, the interviews were used predominantly to gather data in relation to Chapters Three, Four, and Five. A small number of interviews were conducted in order to triangulate and corroborate the analysis within Chapter Two.

Interviewees were selected using two sampling methods, which can be broadly classified as inductive and deductive. Deductively, following an extensive analysis of both primary and secondary sources, I sought to contact individuals whose positions suggested that they would be able to provide valuable insights into key subjects of interest. At the IMF, I focused in particular on staff within Executive Directorates, staff who were publicly connected to political economy work (for example, as authors of relevant Working Papers), staff connected with statistical capacity building, and, because of the uniquely panoramic nature of the department, staff within the IEO. At the World Bank, I focused in particular on staff within the Poverty Reduction and Economic Management (PREM) Network. Inductively, once the interview process had begun I adopted the ‘snowball’ technique, and at the end of most interviews solicited suggestions for follow-up interviewees. In ‘elite’ organisations like the Bank and Fund, where access is commonly problematic to negotiate, this latter technique was particularly fruitful.

The data collected during interviews was used as corroborative information, confirming the existence of dynamics that were also visible in primary documents, databases, and secondary literature. Indeed, in the majority of cases, the most useful

aspect of interviews was interviewees' suggestions of documents and reports for further reading. To give some illustrative examples of the confirmatory nature of interview data, interviewees' discussions of the dynamics surrounding the intra-shareholder disputes at the IMF were supported by the insights within IEO reports and archival records of Executive Board Minutes, and interviewees' discussions of the importance of sub-groups within PREM to the 'governance agenda' at the World Bank reflected the findings of leading contemporary literature on the organisation (e.g. Weaver 2008, Bebbington et al 2004).

With the exception of two interviews conducted over the telephone, interviews were conducted at interviewees' places of work. Interviews had an average duration of approximately one hour and were conducted in an informal manner, either in personal offices or in on-site cafeteria at the Bank or Fund. By conducting loosely structured interviews, I was able to collect in-depth data about subjects' interpretations of relevant dynamics within the organisations. As the data collected through the interviews was not intended to provide 'stand alone' evidence of developments within the organisations, the commonly stated drawbacks of the loosely structured interview method – particularly the inapplicability to coding and comparison – was not a salient issue when considering research design.¹ Overall, the success of the research process was significantly enhanced by the relative length of my period as a Visiting Research Scholar at American University. Over the course of the three months, a combination of the deductive and inductive methods of interviewee selection allowed for individuals within a range of departments to be contacted, and for a 'saturation point' to be reached from which the marginal value of

¹ On the strengths and weaknesses of the interview method, see Miller and Salkind (2002: 309-21).

additional interviews began to rapidly decrease.² I concluded the research visit to Washington DC with an extended period of time in the IMF Archive, which served to uncover a substantial volume of powerful supporting documentary evidence.

² On saturation point, see Guest et al (2006).

| Name | Position | Date of Interview |
|-----------------------|--|-------------------|
| BERNES, Tom | Director, IMF Independent Evaluation Office | 4 / 11 / 08 |
| CARVALHO, Sonja | Economist, World Bank Independent Evaluation Group | 10 / 11 / 08 |
| CHELSKY, Jeff | Senior Economist, World Bank International Policy and Partnership Group | 14 / 11 / 08 |
| DEVARAJAN, Shanta | Chief Economist, World Bank Africa Department | 21 / 11 / 08 |
| DOBSON, Chad | Executive Director, Bank Information Group | 10 / 11 / 08 |
| EELE, Graham | Senior Statistician, World Bank Development Data Group | 10 / 09 / 08 |
| HEATH, Daniel | US Alternate Executive Director, IMF | 10 / 12 / 08 |
| HICKLIN, John | Deputy Director, IMF Independent Evaluation Office | 19 / 11 / 08 |
| JACOBY, Ulrich | Senior Economist, IMF Office of Technical Assistance Management | 07 / 11 / 08 |
| KIBUKA, Robin | Advisor, IMF Statistics Office | 09 / 12 / 08 |
| KOFFI ALLE, Marcellin | Senior Advisor to Africa Group II Executive Director, IMF | 13 / 11 / 08 |
| KUMAR, Anjali | Economist, World Bank Independent Evaluation Group | 06 / 11 / 08 |
| LALIBERTE, Lucie | Director, IMF Statistics Department | 09 / 12 / 08 |
| LUNDSAGER, Meg | US Executive Director, IMF | 10 / 12 / 08 |
| MAJORO, Moeketsi | Africa Group I Alternate Executive Director, IMF | 13 / 11 / 08 |
| MARTYN, Jan Kees | Deputy Division Chief, PRGF Operations Division of the Policy Review Department, IMF | 21 / 11 / 08 |
| MEROTTO, Dino | Uganda Country Economist, World Bank | 02 / 12 / 08 |

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| MOURMOURAS, Alex | Senior Economist, IMF Institute | 12 / 12 / 08 |
| MOZZAMEL, Masud | Senior Communications Officer of the Development Communications Division, World Bank | 05 / 12 / 08 |
| NALLARI, Raj | Lead Economist of the Poverty and Growth Programme, World Bank Institute | 03 / 11 / 08 |
| NARDIN, Simonetta | Senior External Relations Officer, IMF | 11 / 11 / 08 |
| NDYAMBU, George | First Secretary, US Embassy of the Republic of Uganda | 11 / 12 / 08 |
| NYAMBAL, Eugene | Senior Advisor to Africa Group II Executive Director, IMF | 13 / 11 / 08 |
| RUTAYISIRE, Laurean | Africa Group II Executive Director, IMF | 13 / 11 / 08 |
| SANFORD, Jon | Senior Researcher, Congressional Research Service | 17 / 11 / 08 |
| STILWELL, Amy | External Affairs Media Manager, World Bank | 24 / 09 / 08 |
| THORNTON, Joe | Advisor to UK Executive Director, IMF | 19 / 11 / 08 |
| UKPONG, Godwill | Senior Advisor to Africa Group I Executive Director, IMF | 13 / 11 / 08 |
| VOORBRAAK, Doris | Senior Public Sector Management Specialist of the Poverty Reduction and Economic Management Network, World Bank | 25 / 11 / 08 |
| WILHELM, Vera | Senior Economist, World Bank Poverty Reduction Group | 20 / 11 / 08 |