Social-Spending Targets at the IMF: Hierarchical Bureaucracy and the Rapid Operational Change in Global Economic Governance*

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Abstract

In 2008, around one tenth of the concessional arrangements approved by the IMF Executive Board contained monitored targets on social spending in their programme conditionality. In 2010 and 2011, over 80 percent contained such targets. These developments present a puzzle to analysts of international organisations (IOs), who are more used to observing incremental rather than rapid patterns of change in complex bureaucratic organisations. Using an exploration of the hierarchical characteristics of the Fund to guide a detailed ‘process tracing’ investigation of this case, I demonstrate that elite-controlled rule making and enforcement processes were used to rapidly stabilise the policy-norm of using social-spending targets in concessional arrangements, a practice whose ideational foundations have been slowly emerging in the Fund over recent decades. Given the interplay of these mechanisms, our understanding of the case is enhanced by incorporating the insights of both the constructivist and principal-agent approaches to the study of IOs. With the majority of targets locking expenditure on health and education above pre-programme levels, social spending has in a short space of time become a significant feature of concessional lending arrangements at the IMF.

Keywords: conditionality; constructivism; hierarchical bureaucracy; IMF; principal-agent; social spending.

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Introduction

Government expenditure has long been a controversial subject at the International Monetary Fund (Fund, IMF). While IMF staff and management continue to stand firm in their view that balanced budgets are vital to the creation of the macroeconomic environment necessary for sustainable growth and external stability, critics have for several decades sought to draw attention to the negative impacts of the cuts implemented during lending arrangements. And although through the course of 2010-11 demonstrations against ‘IMF-imposed’ austerity measures became a clear manifestation of this tension across several advanced-industrialised economies, it is in relation to the Fund’s concessional lending operations that this issue has historically attracted the greatest controversy. In particular, cuts in real wages and hiring freezes in the education and health sectors in low-income programme countries have attracted much critical comment (e.g. ActionAid 2007, BIC 2007, Oxfam 2004). Given the existence of these heated debates, the recent developments at the Fund in relation to social spending are particularly deserving of attention.

The issue of operational change in global economic governance has over recent years begun to attract significant attention amongst scholars of International Relations and International Political Economy. And while the literature remains broadly divided amongst scholars favouring constructivist and principal-agent approaches, the findings from the study of social-spending targets at the IMF suggest that the analytic insights of each can be fruitfully combined. Where the constructivist model holds that operational goals are made concrete and disseminated as ‘norm lifecycles’ evolve, the PA model, with its focus on the information and incentive structures used by delegating authorities to keep IO staff ‘on task’, directs our attention towards an important stage in this broader process. Moreover, by assessing its structure against a Weberian-derived continuum, I demonstrate that the Fund’s hierarchical characteristics provided the institutional basis through which elite actors were able to secure rapid operational change in relation to the use of social-spending targets.

In presenting these findings, the paper proceeds according to the following structure. In the first section, I outline the conceptual engagements that follow from the observations made in the case study. By applying the Weberian typology, we see that the Fund’s hierarchical structure enhances the attainability of rapid operational change. By drawing on the insights of the constructivist and
principal-agent literatures, we see that the process of policy-norm stabilisation was catalysed by the effective application of rule-making and enforcement procedures. In the second section, I review the emergence of social spending at the Fund. Although the entrepreneurial activity of staff within the Fiscal Affairs Department (FAD) played a key role in getting social-spending targets onto the Fund’s operational agenda, without decisive Boardroom intervention the issue remained marginalised within the institution as a whole. Through the third section, I explore the developments in early- to mid-2009 that saw US Congressional actors lock the US Executive Directorate into supporting social-spending targets. Though failing to independently catalyse significant operational change, this action nonetheless served to locate social-spending targets at the heart of discussions over the 2009 reforms to the Fund’s concessional lending architecture. The fourth section outlines the actions taken by the IMF Executive Board during mid-2009, which saw clear guidelines being issued to staff, and internal processes being activated to support their rapid realisation. While a handful of Mission Teams and country authorities have effectively shirked the task of integrating social-spending targets by fudging definitions used in programme documents, the majority have set ambitious targets that project increases in total health and education over and above pre-programme levels. I conclude the paper with a brief recap on the main points raised.

Hierarchical Bureaucracies and Rapid Operational Change

IO scholarship has enjoyed a period of substantial innovation over the last decade, during which time a shared ‘common sense’ is beginning to emerge at the heart of the field. Within the burgeoning IO literature the work of a wide range of analysts is fixed around a common *problematique*, which broadly seeks to explore the interconnected issues of who controls the activities of international organisations, and how. The case of social-spending targets encourages us to conceptualise the structures of IO control focused on by the PA approach as providing a means of stabilising a policy-norm lifecycle, a process at the analytic heart of the constructivist literature. Indeed, in an IO like the Fund with an entrenched hierarchical structure, once key veto players are on board with a policy reform such mechanisms provide an effective means of ensuring rapid operational change. In developing these insights, I first review the identifying features of hierarchical bureaucracies, and
then, in order to clarify the conditions that allow their rule making and enforcing potential to be operationalised, briefly explore the intersection of the constructivist and PA literatures.

Max Weber’s writings continue to frame analyses of bureaucratic governance across the social sciences. Here, I follow the lead of Gouldner (1948) and Hall (1963) by drawing on Weber’s framework to measure the specific features of a bureaucratic organisation. IO scholars have previously suggested that the IMF is deeply hierarchical (e.g. Park and Vetterlein 2010b, Vetterlein 2010, Momani 2007), and internal surveys have found Fund staff themselves have such an opinion of the organisation (IEO 2006). In order to bring greater analytic precision to this issue, factors outlined by Weber can used to establish a continuum running from ‘dispersed-authority’ to ‘hierarchical’ bureaucracy. The utility of this exercise is enhanced by the focus that it places on the relationship between bureaucratic structures and processes of change. In particular, it can be seen that the Fund’s hierarchical characteristics provide structural mechanisms that enable rapid operational change to be achieved.

The continuum of bureaucratic hierarchy uses four of Weber’s definitional traits to build an overall score for the IMF. The following elements of Weber’s (1978: 965-63) ideal-type classification are drawn upon:

1. Jurisdictional areas are defined by clear regulations, with the authority to give the commands required for the discharge of duties distributed in a stable manner;

2. The management of the bureau follows general guidelines, which are more or less stable, more or less exhaustive, and can be learnt;

3. The principles of bureau management stipulate a clearly established system of super-and sub-ordination, in which there is supervision of the lower offices by the higher ones;

4. Fixed career lines exist, with promotion dependent on the performance of an organisational role.

Existing literature on the Fund has been used to guide the assessment of the institutional characteristics of the IMF (see Table 1 and Figure 1). In relation to jurisdictional clarity and institutionalised authority, Vetterlein (2006) has demonstrated that the precision of the IMF’s Articles of Agreement have provided the core point of reference according to which operational reform is
assessed, while Clegg (2012b) and Vetterlein (2010) have outlined the importance of Board guidelines as a source of formal operational change. Accordingly, the Fund is rated as ‘high’ on the first assessment criteria. In relation to the balance between guidelines and staff discretion, the picture is a little more mixed. On the one hand, the Fund’s widely-noted tendency towards a ‘one size fits all’ approach is suggestive of limited discretion (e.g. Meltzer 2000, Stiglitz 2001); on the other, Board guidelines on the application of conditionality have been found to be deliberately ambiguous (Best 2012), and staff have been found to apply nuanced ‘associational templates’ when making operational decisions (Broome and Seabrooke 2007), and to demonstrate flexibility in negotiations over certain aspects of loan conditionality (Caraway et al 2012). Accordingly, the Fund is rated as ‘medium’ on the second assessment criteria. In relation to the existence of a clear structure of subordination and associated monitoring processes, Momani (2007) and Harper (1998) have demonstrated that the Fund’s Strategy, Policy, and Review Department (SPRD) in particular serves to ensure that the organisation’s standard operating procedures are followed widely. In addition, Lavelle (2011) has recently outlined the importance of US domestic actors – working through the US Executive Directorate – in setting and enforcing staffs’ adherence to key ‘red line’ issues. Accordingly, the Fund is rated as ‘high’ on the third assessment criteria. Finally, in relation to the existence of fixed and widely acknowledged career lines, Momani (2007, 2005) presents findings of an institutional predilection for file rankings and climbing the organisational ladder, and a tendency for the Fund’s personnel to stay in situ for many years. Accordingly, the Fund is rated as ‘high’ on the fourth assessment criteria.

Table 1 and Figure 1 here.

While the schema is intended to provide a rough ‘first cut’ classification, its application confirms the Fund’s status as a heavily hierarchical institution. Gaining a score of seven out of a potential eight, the IMF is placed close to the ideal-type of a hierarchical bureaucracy. The defining features of hierarchical bureaucracy serve to empower strategically located institutional actors in processes of change. With established processes existing through which operational guidelines are
generated, and mechanisms existing to communicate these rules to a body of operational staff that is socialised into rule-based rather than discretionary behaviour, the capacity of the IMF Boardroom in particular to purposively direct operational reform is high. In addition, with deeply embedded networks existing through which behavioural compliance is monitored, and a staff with an interest in complying with formal procedures to advance their career, the means of ensuring that these rules are acted on are well developed. However, in order to explore the factors affecting the achievement of rapid operational change in greater depth, it is instructive at this juncture to turn to the constructivist and PA literatures.

Constructivist works hold that that ideational contestation plays a central role in shaping processes of operational change. For constructivist scholars, an IO’s ‘bureaucratic culture’ acts to shape the behaviour of actors in and around key venues of global economic governance. Referring to 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), an IO’s culture provides the all-important operational rules of thumb for staff that guide everyday behaviour. This ideational framework has been found to make processes of change heavily path dependent, with the presentation of operational change in terms that cohere with the dominant understanding of an organisation’s core mission constituting a central pillar of effective reform (Broome 2010, Chwieroth 2010, Clegg 2010b, Moschella and Leiteritz 2010). The increasingly popular ‘policy-norm lifecycle’ model provides useful insights into the manner in a wide range of actors interact in the shaping these processes of change.

Although the model first emerged in the late 1990s (Risse and Sikkink 1999, Finnemore and Sikkink 1998), the concept of a three-stage norm lifecycle has recently been reinvigorated by the contribution of Park and Vetterlein (2010a: 19-24). Park and Vetterlein (2010a: 4) define policy-norms as ‘shared expectations for all relevant actors within a community about what constitutes appropriate behaviour, which is encapsulated in Fund policy’. At each of the cycle’s three stages of ‘norm emergence’, ‘norm stabilisation’, and ‘norm contestation’, different mechanisms of influence are available to differentially situated actors. During the opening and closing stages of the lifecycle, strategic alliances between internal and external groups play an important role in introducing new
ideas into an organisation, with processes of argumentation around a common frame of reference playing a key role in generating acceptance of the need for reform. Through the intermediate process of norm stabilisation, during which ideas about appropriate operational behaviour take a more precise form, the mechanics of influence are qualitatively different. Through this stabilisation phase more routine managerial processes move toward centre stage, as strategically important actors work to habitualise a particular type of behaviour throughout a given organisation (Park and Vetterlein 2010a: 22-3). In a hierarchical bureaucratic organisation like the IMF, the potential for this stage of the process to unfold efficiently is high; as has been demonstrated, elite actors’ control of mechanisms through which operational guidelines are issued and behavioural compliance monitored is a hallmark characteristic of such institutions. Insights from the PA literature help us to gain greater clarity over the factors affecting the effective application of these mechanisms. In outlining a series of factors affecting state-principals’ capacity to ‘control’ their IO-agents, the PA literature highlights the conditions that allowed for the Fund’s hierarchical structures to rapidly embed the policy norm of including social-spending targets in concessional lending.

Although its incorporation into the IO literature has been a comparatively recent development, the PA model has been evolving in other corners of academic investigation for some time. Originally developed in the field of Economics to explore problems surrounding the issue of delegated choice, early work sought to bring analytic clarity to situations in which one actor (the agent) was contracted to take decisions that were supposedly in the interests of one or more others (the principal(s)) (Rees 1985). Analyses in this line of literature aim to explore the mechanisms through which principals are able to generate maximum returns, with the reduction of information asymmetries and the establishment of appropriate incentive structures for agents receiving particular attention (e.g. Braun 2008, Sappington 1991, Rogerson 1985, Radner 1981). In line with their intellectual forbearers, the starting point of principal-agent analyses of IOs is the assumption that states are motivated to establish and join multilateral institutions because of the gains from specialisation to be accrued (Hawkins et al 2006). Indeed, this assumption is shared by an established body of rationalist analyses, which has sought to demonstrate that states intentionally design and adopt IOs to effectively realise policy goals that cannot be optimally met through unilateral processes
(Koremenos et al 2001, Goldstein et al 2000, Abbot and Snidal 1998). Relying on observations of stated preferences or imputations of revealed preferences, IO scholars have sought to explore a range of ends to which state-principals attempt to direct their IO-agents (Broz and Hawes 2006, Nielson and Tierney 2003). These analyses have generated valuable insights into the type of action that enhance state actors’ chances of securing their favoured policy outcomes, with findings relating primarily to managing inter-principal disputes, presenting tasks in a format that is analytically tractable, and establishing appropriate monitoring mechanisms.

In order for an IO to be established, a minimum of three state actors must have opted to cooperate and delegate a given set of functions to a third party institution. With the environment surrounding an international organisation being by definition constituted by multiple principals, coordination problems amongst principals are a core feature of the IO experience. During the initial designing of an IO steps can be taken to ameliorate these issues by, for example, seeking to ensure that formal decision-making processes reflect the prevailing balance of power amongst member states. The structure of weighted voting laid down in the IMF’s Articles of Agreement, under which the US and a core grouping of other advanced industrialised members control the bulk of votes at the Executive Board, represents just such a mechanism for facilitating the taking of collectively-sanctioned decisions in lieu of unanimity. However, the likelihood of securing operational change is enhanced when principals present a unified front on a given issue, as this will minimise the extent to which staff can exploit divergent preferences (Lyne et al 2006).

Beyond inter-principal disputes, a second factor flagged-up by the PA framework as shaping the effectiveness of states’ control relates to the form of the task delegated to an IO. With responsibility for addressing global issues including international peace and security, climate change, and economic cooperation and development, international organisations’ ‘to-do’ lists tend to be of a highly ambitious nature. This operational haziness has serious implications regarding the capacity of state-principals to effectively control their IO-agents, as the inherently imprecise nature of policy aims leaves principals lacking an obvious yardstick with which to measure performance. Unable to gain traction over the question of how hard an IO is working to impact on an all-too-nebulous policy problem, state actors can find themselves unable to effectively redesign governance processes so as to
improve performance (Hawkins et al 2006: 24, Mingst and Schechter 1985: 199-205). A consistent finding from principal-agent analyses is that in order for this issue to be overcome, it is necessary to communicate desired outcomes in a clear – and preferably quantitatively defined – manner (Gutner and Thompson 2010: 232-4, Weingast 1984: 147, Weingast and Moran 1983: 765-7). By communicating operational goals that are amenable to low-cost observation, principals are able to open-up a number of mechanisms through which to secure IO compliance. Alongside the management of inter-principal disputes and the clear presentation of tasks, these mechanisms constitute a third major pillar of IO control as seen by the PA framework. Though coming in various shapes and sizes, these control mechanisms share a focus on achieving optimal outcomes through an effective balance of information gathering and incentive alignment. Examples of these informing tools include the establishment of oversight committees, ‘fire alarm’ procedures through which staff or external actors draw attention to slippages, and the implementation of reporting requirements (Hawkins et al 2006: 26-30, Hopenhayn and Lohmann 1996: 196-213), and it is broadly assumed that by allying such processes with material ‘carrots’ and ‘sticks’ compliance will be enhanced.

By mid-2009, these conditions highlighted by the PA literature as being necessary for effective IO control were all met. Led by the US Executive Director with a Congressional Legislative Mandate directing that she promote social-spending targets in concessional lending, in July 2009 there was sufficient consensus to allow Boardroom-endorsed guidance to be issued to operational staff. In stating that relevant lending arrangements include quantitative targets to protect social spending levels, these guidelines were readily amendable to low-cost monitoring. Finally, this oversight was effectively carried out through pre-existing processes to ensure widespread compliance. Functioning within the hierarchical structures of the IMF, these contextual factors enabled the rapid stabilisation of the policy-norm of including social-spending targets in concessional lending.

When advocating an analytic framework that draws together theoretical traditions with contrasting – and some would suggest conflicting (e.g. Johnson 2002) – ontological assumptions, it is necessary to reflect on the foundations of the conceptual ‘bridge building’. The case study overall follows an ‘analytic explanation’ process-tracing method (Bennett and George 2001: 210-11); by positing a symbiotic relationship to exist between theory and observation, established analytic
frameworks are used to guide the exploration of the case study, with these findings in turn prompting reflection on conceptual issues. The empirical insights advanced in this paper are drawn from my analysis of the Letters of Intent from concessional lending arrangements approved between 2000 and 2011, extensive archival research, and interviews with IMF senior management and staff, representatives of Washington-based NGOs, and Congressional officials undertaken during research visits between 2008 and 2012 (a list of relevant interviewees is included in Annex I). The conceptual insights presented are advanced in line with Jeffrey Checkel’s call for ‘middle range theory building’ to ‘bring our models closer to the empirical reality we see on a day-to-day level’ (Checkel and Moravcsik 2001: 243). Rule making and enforcement processes serve as the fulcrum on which the PA and constructivist frameworks are brought together; however, rather than privileging the ontological assumptions of the former over the latter, I posit that the causal pathways highlighted by both approaches have contributed to staffs’ behavioural change. In addition, a ‘domain of application’ observation suggests that, in the case of country-authority actors (who play a significant role in shaping programme content in general and social-spending targets in particular), belief-driven behavioural change assumes a primary importance.

The principal-agent literature foregrounds ‘logic of consequence’ decisions as driving behaviour; under this rubric, rule making and enforcement processes are seen to elicit behavioural change by altering individuals’ calculations of relevant tradeoffs involved (‘do institutional processes mean that I will be caught shirking this management directive, and do attendant sanctions or rewards make compliance worthwhile?’). In contrast the constructivist literature foregrounds ‘logic of appropriateness’ beliefs as driving behaviour; under this rubric, staffs’ evaluations of the content of a given rule are seen to shape behaviour (‘do I believe that carrying out this management directive will enable core operational goals to be effectively met?’). However, in a hierarchical institution like the Fund, there is a second pathway to this belief-driven behavioural change. Through this second pathway, it can be seen that rule making and enforcement processes – a traditionally PA mechanism – can elicit belief-driven behavioural change. The accepted status differential between super- and subordinate groups in hierarchical bureaucracies creates a social environment in which compliance with rules is normalised; management directives, by virtue of being management directives, are understood
by staff to denote appropriate behaviour (‘staff should follow management directives’). Therefore, while foregrounding the importance of rule making and enforcement processes to the stabilisation of the social-spending policy-norm, openness is retained as to the drivers of staffs’ behaviour. Indeed, given the widespread incorporation of substantial targets into programme agreements, it can be imputed that outcomes resulted from these three pathways (‘compliance is worthwhile’, ‘I believe in this directive’, ‘directives should be obeyed’) pulling in the same direction.

Beyond this ‘both/and’ judgement on the interplay of ideational and material factors in shaping staff behaviour, it is possible to also draw a ‘domain of application’ conclusion that increases the relative weighting of the importance of intersubjective understandings in shaping the observed outcomes. The agency of developing-country authorities is often overlooked in analyses of global economic governance (for exceptions, see Caraway et al 2012, Lee 2012). In the case of social-spending targets at the IMF country authorities play a central role, as it is they who set the definition of social spending used in programme documentation. Given that these actors’ behaviour is not contingent on the same logic of consequence calculations as IMF staff (‘do institutional processes mean that I will be caught shirking this management directive, and do attendant sanctions or rewards make compliance worthwhile?’), country authorities’ widespread incorporation of substantial targets suggests the existence of a widely-shared belief in the appropriateness of this operational reform.

Overall, once guidelines were issued by the Board in 2009 a combination of material and ideational factors led to the rapid insertion of social-spending targets into concessional lending arrangements, with country authorities’ beliefs playing a core role in shaping the detail of the resulting target. Before this stabilisation of the policy-norm is reviewed, the following section explores the history of the emergence of social-spending targets. Through this process ideas around the use of targets to protect core areas of government expenditure were introduced by FAD staff and gradually gained acceptance amongst senior management, although prior to 2009 were not encapsulated in policy guidelines and remained a marginal operational practice.

The Emergence of Social Spending at the Fund: 1985-2008
The emergence of the idea of including social-spending targets in concessional lending programmes can be traced back to the early 1980s, at which time staff within FAD began to devote significant analytic resources to the issue. Following the entrepreneurial responses by key figures within FAD to requests for research into ‘pro-poor growth’ from the Managing Director, social spending began to feature prominently in Boardroom discussions of concessional lending from the end of the decade. The issuance of Guidelines on Social Expenditure to operational staff helped secure the validity of the issue in the late 1990s, which was further increased with the adoption by internal and external reviews of social-spending levels as a core indicator of IMF success through the early- to mid-2000s. By exploring this policy-norm emergence we are able to see that, by the late 2000s, significant bases of support for social-spending targets existed in the Fund. However, in lieu of clear guidance from the Board, the operational incorporation of these targets into lending arrangements remained minimal prior to 2009.

Through a combination of the personal leadership of the Fund’s Managing Director and a nudge from the US Congress, ‘social issues’ had begun to enter the IMF by the start of the 1980s. As Vetterlein’s (2010: 102-3) detailed history has demonstrated, the impact of H. Johannes Witteveen’s request in 1977 for research into the social implications of Fund lending was accelerated by Congressional threats to withhold funding unless progress was seen on the issue. This led to the publication of a 1980 staff paper outlining income distribution as an appropriate indicator in this regard. And following this same pattern of staff using requests from the Managing Director as an opportunity to frame the institutional understanding of a policy issue, FAD staff through the mid-1980s moved to lock ‘social spending’ in as a central component of the Fund’s operationalisation of ‘pro-poor growth’. Key developments in this regard took place in 1984 and 1985.

In the face of increasingly vocal criticism of the impact of the Fund’s programmes on the prospects for sustainable development in borrowing countries (Amuzegar 1986), Jacques de Larosière, Witteveen’s successor, called in late 1984 on FAD staff to examine ways of improving the impact of Fund programmes on income inequality (IMF 1984a). In his outline to colleagues of the Department’s response, FAD Deputy Director Alan Tait suggested that a number of existing work programmes be framed as addressing de Larosière’s request. The work on ‘expenditure incidence’
being undertaken by the newly formed Government Expenditure Analysis Division (GEAD) attracted particular mention in this regard (IMF 1984b). Peter Heller, GEAD Chief, was keen to take up this task of exploring the links between expenditure and income distribution, seeing the opportunity to report back to the Board as a means of challenging the ‘disturbing’ view of key Executive Directors and senior management figures that capital expenditure presented the obvious candidate for ring-fencing (IMF 1985a). The profile of this work programme was further enhanced by Tait and Heller’s reaction to the Baker Initiative. In response to the call from US Secretary of the Treasury James Baker for the Fund to increase the effectiveness of its structural adjustment and promote lending to the ‘Baker 15’ group of countries, de Larosière committed the Fund to adopting a ‘new’ emphasis on growth (Boughton 2001: 422). Tait’s immediate response was to sense an opening for FAD: de Larosière communicated his message to senior management on Thursday November 14th, and the following Monday Tait reminded his Division Chiefs that:

‘He [the Managing Director] said “What many do not realise is that growth means more fiscal adjustment, not less.” He considers the emphasis to be on… more efficient allocation of resources in the public sector. This thrust of the MD’s needs to be taken into account in all FAD considerations of Fund programmes’ (IMF 1985b).

Rapidly reacting to this advice, Heller committed GEAD to undertake detailed reviews of the expenditure policies of five of the Baker 15 (Brazil, Mexico, Nigeria, Sri Lanka, and Morocco) (IMF 1985c, IMF 1986). It was in 1988 that this entrepreneurial advocacy began to bear fruit within the Boardroom, through the Department’s contribution to the inaugural discussions of the implications of Fund-supported programmes for poverty reduction. FAD’s proposals to protect social spending in concessional lending initially attracted a modest amount of conditional support, which grew through the course of future discussions.

Drawing directly on analyses of the Baker countries and additional government expenditure analyses, FAD’s 1988 background paper outlined the benefits of protecting education and health expenditure (the use of the term ‘social spending’ as a shorthand reference for education and health expenditure appears to have taken hold slightly later, following the publication of FAD’s ‘Social Expenditure Outlook Papers’ at the end of the decade). In the précis of their research findings, FAD staff suggested that:
Cuts in health and education expenditures... adversely affected poverty groups, both in the short and long run. In the short run, the cuts reduced consumption benefits. In the long run, they may have hurt the productive capacity of the poor (IMF 1988a: 20).

In the accompanying Boardroom discussion the potential use of disaggregated expenditure targets attracted significant comment, with many Directors offering general support while also calling for further data collection and analysis, and closer cooperation with the World Bank on the issue (IMF 1988b).

Subsequent Boardroom discussions through the 1990s reveal growing support from European and some developing-country constituency Directors for the use of expenditure-related mechanisms to enhance the impact of programmes (cf. IMF 1993, IMF 1997, IMF 1998). FAD continued to proselytise on the potential poverty-reduction impact of social-spending targets, and in 1997 scored a notable victory in having ‘Guidelines on Social Expenditure’ issued by the Managing Director to operational staff. These Guidelines required staff to collect data on health and education levels and to comment on trends in country reports (IEO 2003: 53), and were issued following the Board’s discussion of a 1997 FAD paper on ‘Social Issues in IMF Lending’. However, at this time the Board was still not fully convinced as to whether monitored targets should be incorporated into programme documentation; while nine Directors provided clear backing for the proposal as floated in the 1997 FAD background paper, the majority were more equivocal. The contribution from Karin Lissakers, the US Executive Director, captures this reticence well:

We were intrigued by the staffs’ suggestion of establishing a ‘core budget’ to protect key capital and social expenditures... However, I wonder about the potential side effects; would a core budget exacerbate the problem of extra-budgetary operations? I would be interested to hear any evidence on the effectiveness of a core budget (IMF 1997: 80).

While monitoring social spending had become encapsulated in policy guidelines, endorsing the use of social-spending targets remained a step too far. However, with the Poverty Reduction Strategy Paper (PRSP) initiative further raising the profile of government expenditure at the Fund, minor operational shifts began to emerge through the early-to-mid 2000s.

The IMF’s engagement in the PRSP initiative marked a signal event in the evolution in the use of disaggregated health and education expenditure targets in programme documentation. External factors played a major role in fermenting the Fund’s launch in 1999 of the Poverty Reduction and
Growth Facility (PRGF). The need to boost institutional legitimacy following criticism of the organisation’s handling of the Asian Financial Crisis is a key explanatory factor behind the institutional embrace of poverty (Seabrooke 2007: 257), and the role of Masood Ahmed (the former Bank economist contracted in by the Fund to help design what became known as the Poverty Reduction and Growth Facility) in selling the re-branding to the Board and quietly adding ‘poverty reduction’ as the Facility’s first of seven objectives (Vetterlein 2010: 108-9), are particularly noteworthy in this regard. However, internally FAD staff also used this juncture to redouble their efforts to promote expenditure ring fencing as the core mechanism through which to track the Fund’s impact on poverty reduction. Acting in concert with Bank colleagues under the auspices of the Public Expenditure Working Group (established in 2000), FAD staff worked to support country authorities’ efforts to incorporate systems for monitoring budgetary allocations into individual PRSPs (Interviews H and J). Moreover, it is at this time that the first uses of identifiable social-spending targets in programme documents occurred.

A common focus of all PRSPs (development programmes that had to be produced as a condition of accessing Enhanced Heavily Indebted Poor Country debt relief) is their inclusion of detailed data on disaggregated spending (see Clegg 2010a). This was done, in part, to fulfil a ‘signalling’ function to creditor states; by highlighting lines of government expenditure with an identifiable poverty-reducing impact, a message was provided to relevant Directors that resources released through debt reduction were effectively being translated into desirable outcomes. It was as the early PRSP graduates contracted PRGF arrangements that, for the first time, social spending targets emerged into lending documentation. The first indicative target relating to social spending in IMF programme documentation came in the Kenyan PRGF, approved in August 2000. However, while the qualitative focus on the impact of different lines of government expenditure on poverty reduction increased appreciably in programme documents through the 2000s, the incorporation of quantitative targets remained comparatively rare. The Kenyan watershed was followed by what remained a slow trickle, with less than one-fifth of the PRGF arrangements approved from 2001-08 containing quantitative social-spending targets. The inclusion of social-spending targets through this period typically remained contingent on the coming together of country authorities that had ‘bought
in’ to the enhanced poverty-reduction focus and a particularly supportive Desk Economist and Mission Team (Interviews J, M, and N); as perhaps should be expected in a hierarchical bureaucracy, staff in over 80 percent of cases remained wedded to past practices when constructing programme documents.

Beyond this very modestly increased operational focus, by the mid-2000s there was a growing belief inside and outside the Fund that social spending represented an appropriate indicator of operational success. Inside the Fund, FAD staffs’ continued promotion of the issue can be seen through their periodic production of assessments of the impact of arrangements on social spending levels (e.g. Abel et al 1998, Gupta et al 1998, Gupta et al 2000). This Departmental advocacy of the measure was granted added legitimacy by the Independent Evaluation Office’s focus on social spending in its high-profile reviews of the organisation’s concessional lending operations in the early 2000s. The finding that ‘the presence of an IMF program does not, on average, reduce levels of social spending’ was promoted as a key finding of the review of Fiscal Adjustment in Fund-Supported Programs (IEO 2003: 7-8, 52), with similar claims repeated in the later Evaluation of the IMF’s Role in PRSPs and the PRGF (IEO 2004: 4-5). Outside the Fund, while these claims were challenged through both small- and large-n analyses (e.g. ActionAid 2007, BIC 2007, Noorudin and Simmons 2006, Oxfam 2004), there was a tacit acceptance that social spending represented an appropriate yardstick of successful performance. By the late-2000s social spending had attained the status of a ‘common sense’ measure of the Fund’s performance. This status was consolidated by the umbrella-group of NGOs that in early-2009 pushed Congress to mandate that the US Executive Directorate ensure better outcomes from the Fund’s concessional lending (as measured by social-spending levels), and by Executive Directors as in mid-2009 they delivered a clear message to staff to ensure better outcomes from concessional lending (as measured by social-spending levels). It is at this point that the rapid stabilisation of the social-spending policy-norm occurred.

The Stabilisation of Social Spending at the Fund Part I: US Congress, Early 2009

In contrast to the decades-long story of its emergence, the story of the stabilisation of the policy-norm of including social-spending targets in concessional lending arrangements is notably brief. The events
of 2009 – in conjunction with the Fund’s hierarchical structure – served to transform operational practices, such that whereas in 2008 just one of the nine PRGF arrangements approved included a social-spending target, by 2010 their inclusion in equivalent arrangements was close to universal. The events of 2009 divide into two parts. Through Part I, domestic political actors in the US moved to lock the US Executive Director into supporting social-spending targets. With its focus on a small sub-group of low-income countries, and with the Treasury taking informal guarantees as acceptable evidence of compliance, this action did not in and of itself prompt the operational shift on social-spending targets; the main impact of this action was to ensure that social-spending targets figured prominently in the reforms to the Fund’s concessional lending architecture announced by the Board in mid-2009. The more direct motor of operational change came in Part II, through which Boardroom guidance catalysed not only the inclusion of social-spending targets in new arrangements, but also the rapid re-writing of existing documents to fit with Directors’ wishes.

When, at the 2008 Washington Summit, G20 leaders signalled their commitment to boost the lending capacity of the IMF, the emergence of the institution from its post-Asian Financial Crisis depression seemed to be confirmed. After a period of ‘watching from the sidelines’, the reinvigoration of multilateralism following the Global Financial Crisis has served to secure the Fund’s position at the top-table of global financial policy-making for at least the medium term (Broome 2010). And for US domestic political actors, the announcement from the Obama Administration of its intention to release around US$100 billion to bolster the IMF’s reserves served to provide an opportunity to push for operational reform at the organisation. While the replenishment was driven by crises in advanced-industrialised members, the G20 were from the outset clear that a proportion of these additional resources would be directed to low-income members (G20 2009); as such, the attention of developmentally-minded NGOs was drawn to the Congressional processes surrounding the approval of these resources.

Led by *New Rules for Global Finance*, a coalition of Washington-based NGOs and activists immediately launched a campaign against providing a ‘blank cheque for the IMF’, calling on Capitol Hill to tie the provision of supplementary finance to efforts to protect social spending levels in IMF arrangements (Jubilee USA 2009, New Rules for Global Finance 2009, Weissman 2009). On behalf
of the umbrella group an international development policy consultant lobbied Representatives and Senators on the issue through late-2008 and early-2009, paying particular focus on Representative David Obey and Senator Sherrod Brown (the Congressmen responsible for introducing the Omnibus Appropriations Bill to their respective chambers) (Interview I). Having secured sufficient support in both chambers, the Bill signed into law by President Obama on March 11th, 2009 contained the following clause:

The Secretary of the Treasury shall instruct the United States Executive Director at the International Monetary Fund to use the voice and vote of the United States to oppose any loan… that would not exempt increased government spending on health care or education from national budget caps or restraints… or other limits imposed by the International Monetary Fund in Heavily Indebted Poor Countries (US Public Law 111-8-7030(c)).

Subsequent clauses in the June 2009 Supplementary Appropriations Act and the December 2009 Consolidated Appropriations Act reiterated Congressional support for the issue, and served to clarify the text (US Public Law 111-32-1403(d) and 111-117-7030(c)).

Legislative Mandates are a common feature of US domestic politics. Referring to a ‘tight set of rules applying to a well-defined sector and tailored to fit particular policy objectives’ contained within a Congressional bill (Cohn 2001: 472), these instruments have been effectively applied to push for policy-reform at the IMF throughout the post-war era (Lavelle 2011). Congress has been particularly active with this modality in recent years, with the 2010 US Treasury ‘black book’ on the International Financial Institutions listing over 170 individual rulings that are relevant to the IMF and its ‘Bretton Woods Twin’, the World Bank (US Treasury 2010b). As a consequence of their very prevalence, institutionalised processes exist to monitor and enforce the content of Congressional Legislative Mandates relating to the IMF. The Government Accounting Office and Treasury both conduct annual reviews of IMF performance relative to the content of relevant Legislative Mandates, and in addition staff from the Treasury’s International Affairs Division (IAD) and the US Executive Directorate of the IMF meet on a regular basis to reach agreed positions on forthcoming lending arrangements. Upon the enactment of the March 2009 Mandate, this bureaucratic machinery swung rapidly into action. Within a matter of days of its passing into law, IAD staff moved to enforce the provisions of the Omnibus Appropriations Act. On March 27th, 2009 IAD issued a request for information from the IMF over the projected levels of social spending in the Côte d’Ivoire Poverty
Reduction and Growth Facility arrangement. By the end of June a further four reviews of low-income country arrangements had been undertaken, each of which was approved on the grounds that the programme ‘allowed for an increase in health and education expenditures… in nominal terms and as a percent of GDP under the IMF program’ (US Treasury 2010a: 1-2). And while IMF staff became aware at this time that social spending had become a ‘red line’ issue for the US Executive Directorate (Interview H), there are two factors that limited the operational shifts resulting from these interventions.

Congressional Legislative Mandates that are directed towards the Fund’s concessional lending operations have for many years employed the identifier ‘Heavily Indebted Poor Countries’ to denote their domain of application. This is a consequence of the successful campaigns in support of multilateral debt relief, which introduced the term into US law through the mid-1990s (Busby 2007, Broome 2009). The effect of this definitional choice is to limit the scope of the clauses enshrined in Legislative Mandates to (at present) only the 36 countries that have been granted debt relief under HIPC, out of the 72 members currently eligible to borrow on concessional terms from the IMF and therefore – under institutional classification – referred to as low-income countries. The US Treasury has assiduously applied the social spending Mandate to HIPCs only; therefore, operational change observed in non-HIPCs through 2009-11 cannot be attributed to this mechanism. In addition, through its review process US Treasury officials have accepted informal communications of budget projections as providing sufficiently robust evidence of the terms of the Mandate having been met (US Treasury 2010a). This procedural decision served to allow the US Executive Director to approve the series of arrangements that came up for review from late-March to June 2009 that did not include quantitative social-spending targets, and also to approve the handful of arrangements that omitted these targets after the mid-2009 Board guidance had been issued. While not independently responsible for the rapid operational change on social-spending targets, events emanating from US Congress nonetheless played a central role in achieving this outcome. It is widely acknowledged that securing a coalition bringing together the Fund’s key voting powers is a necessary condition for securing formal operational reform (Clegg 2012a, Stone 2011, Copelovitch 2010); by tying the US Executive Director in to a pre-existing alliance in support of social-spending targets, the Legislative
Mandate served to create the conditions for the Board to deliver a clear message to staff in relation to this issue in mid-2009. And it is to this stabilisation of the social-spending policy-norm through the activation of the Fund’s hierarchical structures that I now turn.

The Stabilisation of Social Spending at the Fund Part II: IMF Boardroom, July 2009

By the middle of 2009, the conditions were set for the Board to issue clear guidance on social-spending targets to operational staff. Once articulated, a combination of staffs’ desire to comply and the institutionalised monitoring network centred on the Strategy, Policy and Review Department served to generate rapid operational change. After outlining the mechanics of these internal processes, I review the evidence of the resulting behavioural shift. The Fund’s hierarchical characteristics ensured that not only was the inclusion of social-spending targets transformed from a minority to a near-universal activity in new arrangements agreed post-July 2009, but that in addition many of the agreements made in 2008 and early-2009 were re-written to include social-spending targets. Moreover, the fact that the majority of these targets provide for levels of expenditure on health and education that are above pre-programme levels is indicative of the active support for this policy, from both staff and country authorities. While there is some contestation from external critics over the interpretation of core data, there is widespread acceptance that in and around the IMF that social spending represents an appropriate proxy-measure of programme success.

For rules to be followed, they must be known by relevant actors. At the IMF, the communication of operational rules made by the Board occurs through well-established formal and informal channels. In formal terms, the content of agreements reached after Directors’ discussions of policy matters are recorded in the Selected Decisions and Selected Documents of the IMF compendium, an annual publication prepared by the Legal Department and distributed to staff. In addition, Executive Directors can request that Guidelines be formulated and distributed to operational staff to clarify expectations in a given policy area. Beyond these formal processes, more informal channels are also used to communicate decisions staff. This is done by Department Directors present at Board Meetings cascading information down to their Division Chiefs, who in turn channel these reports to other senior management figures, and finally to lower-ranking staff. In addition to sharing
synopses of the Managing Director’s Summing Up, points of emphasis made by particular Directors are also on occasion commented on through both written and verbal communications.⁶

Beyond these mechanisms for communicating rules, the Fund’s institutionalised processes surrounding the production of programme documentation contribute to the realisation of management directives. As is comprehensively catalogued by Harper (1998: 231-59), all country reports are passed around many members of staff in the organisation, often receiving substantial revisions in the process. During these circulations, input is received from staff with relevant expertise across core function departments, including most significantly from SPRD. The core function of SPRD is to ensure that programmes are consistent with operational guidelines and that different members receive equal treatment, and the Department has a reputation for fulfilling this mandate in a robust manner (Momani 2007: 47-8). In the case of lending arrangements, this cycle of document production begins once country authorities have made their intention to seek an arrangement clear, with the collective preparation of a Briefing Note. This Note sets out key outcomes to be achieved by the Mission Team in the negotiations with the country authorities. Following the completion of these negotiations, Country Reports are then produced by subsequent Mission Teams, which review programme performance. These Reports are circulated in a similar manner, with the requirement for SPRD to sign-off each of these documents before they are presented to the Board ensuring that this Department plays a crucial ‘enforcement’ role.⁷ A key moment in the documentary cycle associated with each lending arrangement and review comes in its presentation to the Board for its approval, a task that is undertaken by the Mission Chief. Current staffs suggest that Chiefs’ concern to avoid personal reputational damage motivates them to ensure that both programme content and Country Reports cohere as far as possible with Directors’ known preferences on particular issues (Interviews A, E, and J). As was explored above, rules at the IMF are followed in part through relevant actors’ judgements about the cost of non-compliance, in part because of a belief that rules in general should be followed, and in part following reflection on the content of a given rule.

On 23rd July, 2009 the IMF Board approved ‘A New Architecture of Facilities for Low-Income Countries’ (IMF 2009b: 1). These reforms were triggered by demands emanating from the G20 for significant post-Global Financial Crisis reform. The New Architecture did indeed represent a
widespread shake-up of the Fund’s concessional practices, replacing the PRGF with the Poverty Reduction and Growth Trust (PRGT), and introducing a new suite of lending modalities. Reflecting the broad consensus that had been cemented by the Congressional Legislative Mandate, social-spending targets figured prominently in the Board’s outlining of its ambitions for the PRGT. Through the Policy Paper setting out the Board’s vision for the PRGT, the Board outlined to staff that:

Under the facility, social and other priority spending should be safeguarded – and, whenever appropriate, increased. This should be monitored through explicit program targets wherever possible (IMF 2009a: 6).

Moreover, at the insistence of the US and a number of European Executive Directors (Interview H), new Guidelines on Poverty Reduction and Growth emphasising the importance of this practice were drafted and distributed to operational staff. This ensured that news of the Board decision was efficiently passed across the institution, with staff within Area Departments with a heavy concentration of developing countries, expenditure-related divisions within FAD, and the Strategy, Policy and Review Department Low-Income Countries Division (SPRD-LIC) taking particular note. SPRD-LIC quickly internalised the practice of ‘looking out for’ social-spending targets in programme documentation, and indeed have recently completed an internal review of trends in their use from 2008-12 (Interviews J and K). However, beyond these activities, there is no evidence of particular departments or divisions having taken the lead in pushing for behavioural change. The common interpretation among staff is that a collective awareness arose that social-spending targets had ‘just become something the Board wanted to see in arrangements, unless you had a strong reason not to’ (Interviews J, K, M, and N). Staff involved with Mission Teams that incorporated targets into new arrangements post-July 2009, and those that amended pre-existing arrangements to include these targets, share this general interpretation.

In total, six of the concessional lending arrangements that were active when the July 2009 guidelines were issued were later amended to include social-spending targets (see Table 2). In addition, with Ghana and Comoros we see that two arrangements approved a number of weeks later – and therefore whose content is likely to have been agreed with country authorities in advance of this point – were also amended during review stages. Through 2010 and 2011, 16 out of the 19 new concessional arrangements approved contained indicative targets on social spending in their
overviews of quantitative conditionality. In each of these years, over 80 percent of new programmes contained quantitative ring-fences covering health and education expenditure;\textsuperscript{10} this contrasts dramatically to the figure of under 20 percent for 2001-08. When issued with clear orders, IMF staff very rapidly began to toe the line.

**Table 2 here**

To ascertain the nature of the targets incorporated into lending arrangements in the period following the Board’s issuance of its guidance, I have assessed the social-spending targets outlined in programme documents against pre-programme levels of combined government expenditure on health and education (see Table 3). While this exercise is affected by data limitations, three broad conclusions can be drawn. The first two conclusions confirm that the majority of programmes incorporated meaningful social-spending targets; the third that country authority preferences played a central role in shaping outcomes. First, the majority of programmes contain annual social-spending commitments that were above combined pre-programme annual spending on health and education. This is true when measured in absolute terms (13 out of 21), and as a proportion of total government expenditure (11 out of 21). Second, there is an even spread in the relative size of the indicative targets. In six programmes the social-spending target represents 0-9 percent of total government expenditure, five targets are in the 10-19 percent range, six in the 20-29 percent range, and seven in the 30-39 percent range. Despite this spread, these indicative targets represent a significant convergence in expenditure patterns; pre-programme reported spending on health and education extremely low in the majority of cases (13 of 21 were in the 0-9 percent of total government expenditure range), and extremely high in a handful of cases (in four cases, outlays on health and education were in fact higher than total reported government expenditure).\textsuperscript{11} Third, a significant explanatory factor behind the differences in magnitude of social-spending targets comes from the definition of ‘social spending’ employed in programme documents. Following the convention established in PRSPs of country authorities setting the definition of ‘poverty’ employed when outlining poverty-reducing expenditure lines, in PRGTs it is country authorities that define social
spending. While Mission Teams can challenge definitions put forward through programme negotiations, staffs’ reluctance to tread into ‘non-economic’ domestic issues and their tendency to focus primarily on macroeconomic issues make such action improbable (Interviews B and L). In most instances country authorities used the term to refer to a broad sub-section of expenditures made by ministries of health and education. This approach was, however, not universal; in programmes with very modest targets, more restrictive understandings are advanced. Primary examples of this practice include the Lesotho and Armenia arrangements. These programmes contain the lowest social-spending targets, and limit the quantitative floor to expenditure within the government’s HIV / AIDS programme, school feeding programme, and old-age pensions (Lesotho), and expenditure within the government’s family benefit programme (Armenia). By confirming that low support from country authorities can contribute to a form of shirking, such cases suggest that there was support for the inclusion of substantive targets amongst the majority of country authorities.

Table 3 here

Across the institution as a whole, the July-2009 Board directive has served to catalyse rapid operational change; social-spending targets have become a near-universal feature of concessional arrangements, which outline plans to protect on average around 20 percent of government expenditure. With its encapsulation in the 2009 guidelines and subsequent widespread operationalisation, the use of social-spending targets has become a stable policy-norm in IMF concessional lending.

Conclusion

For a policy-norm to become stable, an operational practice must be accepted by relevant actors as constituting appropriate behaviour, and be encapsulated in Fund policy (Park and Vetterlein 2010a: 4). Through a process that can be traced back to the early-1980s, staff within the IMF’s Fiscal Affairs Department have actively sought to promote the idea of using expenditure ring-fences to enhance the ‘pro-poor’ impact of concessional lending arrangements. While acceptance of this practice steadily
grew through to the late-2000s, its translation into operational practice remained minimal, and its encapsulation in policy guidelines remained lacking. Through the course of 2009, once the US Executive Director had been locked in to the issue, this state of affairs altered dramatically. In July 2009 the IMF Executive Board issued Guidelines on Poverty Reduction and Growth to staff, stating that social spending should be maintained or increased in concessional lending arrangements, and that ‘wherever possible’ this should be monitored through explicit programme targets (IMF 2009a: 6). From this point, rapid behavioural change occurred; whereas less than 20 percent of low-income country arrangements approved from 2002-08 contained monitored targets on social spending, in 2010 and 2011 over 80 percent contained such targets. Moreover, in the majority of cases the targets projected higher social-spending levels than pre-programme combined expenditure on health and education.

In order to explore the basis of this rapid operational change, I began by assessing the hierarchical characteristics of the IMF. With firmly institutionalised procedures for making and enforcing rules, core organisational characteristics provide for a structure that is supportive of rapid operational change. By combining the insights of the constructivist and principal-agent literatures, it is possible to develop a comprehensive understanding of the conditions surrounding the activation of this potential. With the early phase of norm emergence having introduced the idea of social-spending protection, PA-derived insights serve to clarify mechanisms that facilitated the rapid accomplishment of the stabilisation phase. By combining broad inter-principal consensus, the issuance of clearly-stated objectives, and pre-existing systems to monitor compliance, the mid-2009 intervention fulfilled key criteria to achieve effective principal control. In this case, mechanisms traditionally focused on by the PA literature served to drive the social-spending policy-norm lifecycle into its stabilisation phase.

The operationalisation of social-spending targets represent a key point in a process going back almost three decades. However, far from representing an end point, this process remains dynamic. Internally, there is a firm basis of support for the practice. FAD staff continue to promote the Fund’s success in protecting social-spending levels (Clements et al 2011, Nozaki et al 2012), and indeed have recently been joined by External Relations in this regard (Burke 2010). On a more general level, there is a broad sense of satisfaction amongst operational staff that a means has been
found of directly challenging a longstanding criticism of the Fund’s lending operations (Interviews J, k, and L). Externally, however, NGOs and academic observers continue to challenge the validity of IMF claims in relation to social spending, and to call for more detailed analyses of the on-the-ground impact of the newly incorporated social-spending targets (e.g. Martin and Watts 2012, Noorudin and Simmons 2012). Over time, such contestation will cause reflection on the appropriateness of this practice; as this occurs, the Fund’s hierarchical characteristics will again play a significant role in shaping the evolution of this policy-norm lifecycle.
Figures and Tables

Table 1: Assessing the IMF

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<th>Jurisdictional clarity</th>
<th>Low (0)</th>
<th>Medium (1)</th>
<th>High (2)</th>
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<tr>
<td>Rule-based decision taking</td>
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<tr>
<td>Established system of sub-ordination, with supervision</td>
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<tr>
<td>Fixed career lines and status rigidity</td>
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Figure 1: Assessing the IMF

Dispersed-authority bureaucracy

<table>
<thead>
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<th>IMF</th>
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Hierarchical bureaucracy

| 0 |

Table 2: Social-Spending Target Insertions

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<tr>
<th>Country</th>
<th>Arrangement Start Date</th>
<th>Insertion Date (Review)</th>
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<tbody>
<tr>
<td>Burundi</td>
<td>13th August, 2008</td>
<td>16th February, 2010 (R3)</td>
</tr>
<tr>
<td>Comoros</td>
<td>21st September, 2009</td>
<td>24th March, 2011 (R2)</td>
</tr>
<tr>
<td>Congo, Republic of</td>
<td>2nd March, 2008</td>
<td>3rd March, 2011 (R3)</td>
</tr>
<tr>
<td>Ghana</td>
<td>14th August, 2009</td>
<td>23rd June, 2010 (R1/2)</td>
</tr>
<tr>
<td>Liberia</td>
<td>24th March, 2008</td>
<td>30th December, 2009 (R3)</td>
</tr>
<tr>
<td>Mali</td>
<td>14th August, 2008</td>
<td>30th July, 2010 (R4)</td>
</tr>
<tr>
<td>Niger</td>
<td>2nd July, 2008</td>
<td>27th May, 2010 (R3)</td>
</tr>
<tr>
<td>Zambia</td>
<td>4th June, 2008</td>
<td>15th January, 2010 (R3)</td>
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Table 3: Evaluating Programme Social-Spending Targets

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<tr>
<th>Country</th>
<th>Indicative Target (% Total Spending)</th>
<th>Pre-Programme Level (% Total Spending)</th>
<th>Stable or Increasing Absolute Level</th>
<th>Stable or Increasing (Proportional)</th>
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<tr>
<td>Afghanistan*</td>
<td>18 (7.4)</td>
<td>28.5 (22.5)</td>
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<tr>
<td>Armenia***</td>
<td>31 (3.4)</td>
<td>20.8 (4.4)</td>
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<tr>
<td>Benin</td>
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<td>20.4 (3)</td>
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<td>Burkina Faso***</td>
<td>275 (24.2)</td>
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<td>342 (33.5)</td>
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</tr>
<tr>
<td>Comoros**</td>
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<td>12 (40.7)</td>
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<td>14.1 (1.1)</td>
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<td>26 (3.4)</td>
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<td>Krygyz Republic**</td>
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<td>31 (35.2)</td>
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<td>x</td>
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<tr>
<td>Lesotho</td>
<td>0.2 (2.2)</td>
<td>42.1 (452.7)</td>
<td>x</td>
<td>x</td>
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<tr>
<td>Liberia</td>
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<td>1 (500)</td>
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<tr>
<td>Mali</td>
<td>235 (24.2)</td>
<td>27.3 (3.6)</td>
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<tr>
<td>Mali</td>
<td>252 (21.7)</td>
<td>29.6 (3.1)</td>
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<td>Mauritania*</td>
<td>107 (37.8)</td>
<td>16.8 (8.1)</td>
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<td>Moldova*</td>
<td>9 (31)</td>
<td>32.9 (129)</td>
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<tr>
<td>Niger</td>
<td>211 (36.1)</td>
<td>30.4 (6.4)</td>
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<td>Sierra Leone</td>
<td>417 (20.1)</td>
<td>19.9 (1.6)</td>
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<td>Yemen***</td>
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<td>Zambia</td>
<td>3938 (22.4)</td>
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Source: Author’s analysis of Letters of Intent and IMF World Economic Outlook Database. All values are local currency (bn). Indicative Target value refers to projected social spending during the first programme year. Pre-programme data refers to total expenditure on health and education in the year preceding the beginning of the arrangement. *Pre-programme data from two years prior to arrangement; **three years; ***four years.
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EBM/98/25.

IMF (2009a) A New Architecture of Facilities for Low-Income Countries and Reform of the Fund’s

July 29th, 2009.


Annex I

<table>
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<tr>
<th>Identifier</th>
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<th>Date</th>
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<td>November 4th, 2008</td>
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<td>Interview B</td>
<td>External Relations Department, Senior Economist</td>
<td>November 11th, 2008</td>
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<td>Interview C</td>
<td>IMF Executive Director, developing-country constituency</td>
<td>November 13th, 2008</td>
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<td>Interview D</td>
<td>IMF Alternate Executive Director, developing-country</td>
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<td>Interview E</td>
<td>IMF Executive Director, advanced-industrialised economy</td>
<td>November 14th, 2008</td>
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<tr>
<td>Interview F</td>
<td>Strategy, Policy, and Review Department, Low-Income</td>
<td>November 21st, 2008</td>
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<td>Interview G</td>
<td>IMF Executive Director and Alternate Executive Director, advanced-industrialised economy</td>
<td>December 10th, 2008</td>
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<td>Interview H</td>
<td>Fiscal Affairs Department, Expenditure Policy Division, Senior Manager</td>
<td>September 16th, 2011</td>
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<td>Interview I</td>
<td>Washington-based NGO, Director</td>
<td>July 9th, 2012</td>
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<td>July 10th, 2012</td>
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<td>Interview M</td>
<td>Africa Department, Desk Economist</td>
<td>E-mail correspondence</td>
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<tr>
<td>Interview N</td>
<td>Africa Department, Desk Economist</td>
<td>E-mail correspondence</td>
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1 Leiteritz (2005) and Chwieroth (2010) have both demonstrated that informal shifts in relation to the promotion of capital account liberalisation emerged in a more ‘bottom-up’ manner, although ultimately the lack of Board approval limited the extent of this practice.

2 Author’s analysis of Letters of Intent from programmes approved in 1999 and 2000.

3 Author’s analysis of Letters of Intent from programme approved from 2001-08. In total 72 PRGF arrangements were approved during this time; Letters of Intent relating to 68 were analysed (documents relating to four arrangements remain undisclosed).


6 Archival documentary trails provide fascinating snapshots of this process; memoranda distributed within the Fiscal Affairs Department following Board discussions of conditionality in SAF arrangements, for example, included a copy of the statement made by the US Executive Director at the relevant meeting. Interviews with current Fund staff confirm that similar practices continue to occur.

7 For a review of this cycle, see Sembene (2007).

8 In addition to statements made during previous Board discussions of the issue (IMF 1993, IMF 1997, IMF 1998), the existence of European support for the use of expenditure targets was noted in interviews A, C, and D.

9 I have paraphrased the sense of the interpretation articulated by these interviewees.

10 13 new arrangements were approved in 2010 and six in 2011; 11 and five respectively contained indicative targets in their summary tables of quantitative conditionality. Author’s analysis of Letters of Intent. Documentation for three arrangements approved during this time has not been released, and so are excluded from these figures.

11 This extreme variation is likely to result from a combination of low expenditure tracking capacity, and a high dependence on aid flows. It is probable that in the four latter cases, total expenditure represents the domestically-financed figure, whereas health and education figures contain domestically- and externally-financed expenditures.