CHAPTER 10
WHEN "DOING GOOD" DOES NOT: THE IMF AND THE MILLENNIUM DEVELOPMENT GOALS

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Global governors commonly interact in hopes of cooperating and coordinating in order to tackle global problems, but these attempts can also result in unintended or poor outcomes that risk undermining the entire process. This is especially true in cases in which global governors diffuse common goals, rules, or norms horizontally and/or vertically across a variety of international actors without ensuring that there are clear, workable mechanisms by which they may be translated into specific policies. International organizations (IOs) are increasingly struggling with the effects of these efforts at cooperation, as they find themselves juggling a growing number of issues and programs. In fact, all major IOs are being asked to address, in one form or another, the *same* common (and big) issues, such as poverty reduction, the environment, corruption, terrorism, human rights, and gender. The problem IOs face is the growing gap that exists between global governors' attempts to affect policy and IOs' ability to translate new issue areas into tangible outcomes, particularly where accountability mechanisms are weak and the "fit" between idea and institution is poor. As economist William Easterly (2005) has pointed out, "Collective responsibility for big goals doesn't hold any one agency accountable if the effort fails; they can always point to others as the ones who are to blame." As the editors note in the opening chapter of this volume, this problem is especially acute when a governor is drawn to new competencies outside its delegated areas of comparative advantage. Not only would it struggle to elicit deference from other actors, but people and may not defer to it all.

This chapter illustrates the negative consequences of noble attempts by global governors to spread poverty reduction goals across IOs and other actors, by focusing on how these global norms impact a major IO that is poorly equipped to address them. This is a tale of two failures. One is relatively well-known: the expected failure of the Millennium Development Goals (MDGs). The MDGs are a set of eight ambitious international goals endorsed by heads of state in 2000, aimed at halving poverty and improving the welfare of the world's poor by 2015. They have been touted as "an unprecedented promise by world leaders to address, as a single package, peace, security, development, human rights, and fundamental freedoms" (United Nations 2005). The goals are an affirmation of the ability of the international community to agree on a set of international norms and take steps to address them (Mundy, this volume). Yet, it is also widely recognized that most countries will fail to meet most goals, and no particular actor is responsible for failure.[1] The global financial crisis has hit the poorest countries hardest, making prospects for MDG goal achievement even more elusive. The second tale of failure, and the focus of this chapter, is the impact of the MDGs on the major IO least equipped to implement them: the International Monetary Fund (IMF).

Using this volume's definition of governors as actors that "create issues, set agendas, establish and implement rules or programs, and evaluate and/or adjudicate outcomes," we find in this case study that governors—states, IOs, and other actors—have indeed created issues, set an agenda, and established rules, but these have not been well implemented (Avant, Finnemore, and Sell 2009). As a result, the chain between the "upstream" area of ideas and the "downstream" area of efficient or effective outcomes is broken. In fact, the failure of the MDGs may go beyond mere ineffectiveness if it ignites a fresh round of aid fatigue among donor countries. This case also provides an example of how muddy the distinction may be between governor and governed. IOs like the IMF are receiving new mandates from their member states, but they also have a voice in shaping the ideas behind these mandates. Meanwhile, IOs are working to implement their goals in poor countries, which, in turn, are also their principals. The result is that complex delegation leads to marginal adaptation of existing policies and procedures rather than bold new initiatives.

While a great deal has been written on the MDGs and the challenges many countries will face in meeting them (i.e., Sahn and Stifel 2003; Black and White 2004; Sharma 2004), there has been little attention to the specific negative consequences that arise when governors seek to diffuse a common set of goals that fit poorly with the practices of some of the major actors involved. I am particularly interested in how the MDGs impact the IMF, a powerful actor whose behavior is important to the success or failure of the MDGs and other poverty reduction initiatives, given its role in helping countries devise macroeconomic stabilization programs that may be tied to concessional lending and debt reduction. In other words, this chapter does not focus on the sources of the MDGs or the role of global governors in creating them; instead, it addresses the consequences of the MDGs' diffusion by highlighting what happens when they reach a major IO.

The IMF is expected to help implement the MDGs, and its managing director has even declared that bridging the poverty gap should rank equally as high as the IMF's traditional goal of helping solve the world's financial imbalances (Freeland and Luce 2007). In fact, the global financial crisis instantly lifted the IMF from a steady decline in lending and legitimacy and put it back into the frontline of actors expected to help poor countries respond to the crisis. At their April 2009 summit, the leaders of the G-20 industrialized and emerging market countries agreed to triple the Fund's lending capacity to $750 billion dollars.

Yet the IMF is perhaps the major IO least capable of embracing any bold new initiatives for poverty reduction in general, and the MDGs in particular. Indeed, its impact on poverty has long been a source of contentious debate within policy, academic, and activist circles. Critics see IMF intervention via austerity programs as *increasing* rather than reducing poverty. Defenders argue that while stabilization measures may increase poverty in the short run, sometimes such bitter medicine is necessary to spark sustained economic growth and poverty reduction in the long run.

This chapter proceeds by unpacking the traditional principal-agent (P-A) model as a useful tool for examining the IMF's mixed behavior in poverty reduction and showing ways in which the model may be modified to more precisely explain the Fund's dysfunctional performance. It then describes the MDGs and their status before returning to the case of the IMF. It concludes by revisiting the issues and questions raised by

Avant, Finnemore, and Sell. Not only does the IMF's struggle with the MDGs challenge functionalist assumptions about governance that the editors also critique, but it also shows the complexity of delegated authority in practice. When IOs like the IMF have a dual role as both principal and agent, and when member states are simultaneously governors and governed, the lines of authority are muddied in ways that help explain poor outcomes.

Principal-Agent Models and Delegation Pathologies

The fit between the MDGs and the IMF is uncomfortable for two reasons. First, the IMF is already struggling to implement its joint program with the World Bank to address poverty-related issues through the Poverty Reduction Strategy Paper (PRSP) process, which is linked to the Fund's concessionary lending facility (Poverty Reduction and Growth Facility, or PRGF); and second, the goals of the MDGs do not clearly complement the goals of the PRSP process, and there is little consensus about what the relationship between the two should be.

The challenges facing the IMF may be usefully explained by using a P-A model to highlight a set of delegation pathologies rooted in the relationship between member-state principals and the IMF as agent, but also adversely influencing the reverse relationship between the IMF as principal and recipient state as agents. Delegation pathologies occur under conditions in which principals delegate to agents tasks that are unclear, unrealistic, or highly complex. Mixed performance by the IO or recipient countries may involve shirking, as classic P-A models predict, but shirking may also reflect principals delegating tasks that are simply too difficult to implement. This is an ironic conclusion, given that one of the perceived strengths of the MDGs is that they consist of measurable targets and indicators that are supposed to offer donors greater clarity and more opportunities for coordination. The idea is that if all actors are on the same page, trying to achieve identifiable goals, the goals are more likely to be met. Yet this approach ignores the problem that if the goals are not met, it becomes difficult to identify who is to blame. At the very least, some blame should be placed squarely on the shoulders of the global governors who have developed and diffused the goals.

Some of the most compelling research to date seeking to explain dysfunctional IO performance comes out of the constructivist camp, arguing that IO bureaucracies are "social creatures" that use power, authority, and expertise to act autonomously in ways that clearly impact how IOs respond to new mandates (i.e., Barnett and Finnemore 2004; Barnett 2002; Barnett and Finnemore 1999). For example, in analyzing the IMF's performance, Barnett and Finnemore (2004) argue that one important indicator of the IMF's ability to address poverty reduction in its work is "the degree to which staff understand it to be logically connected to the realization of more fundamental economic stability goals." The reaction of IMF officials to poverty alleviation goals is mixed. One official interviewed felt that poverty alleviation goals were imposed on the IMF by major donor countries, while another felt that addressing macroeconomic problems without attention to poverty reduction "was probably impossible." While poverty alleviation is related to the traditional work undertaken by the IMF, it is not a clear fit with the IMF's expertise and analytical tools, which tend to focus on correcting macroeconomic imbalances in the domestic economy (Barnett and Finnemore, 2004).

This constructivist analysis is useful in illuminating what happens to new mandates when they confront a potent bureaucracy with a comparative advantage in a particular set of tools, skills, and ideologies. It offers a micro perspective on sources of disconnect or clash between broad norms and entrenched bureaucracy. Yet the constructivist focus on what happens inside IO bureaucracies downplays the external side of the equation—*what* IOs are being asked to do by member state shareholders and other global governors, *why* they are being asked to adopt certain policies, and how the politics and relationships that extend beyond the bureaucracy to include donors and recipient states impact IOs' ability to carry out their tasks.

Agency theory brings the external side of the equation back into the picture by widening the focus beyond the bureaucracy to include the broader linkages between IO shareholders, the bureaucracy itself, and recipient countries. As a result, agency theory offers a useful tool for analyzing IO performance because by capturing external politics and interests along with internal incentives and responses, it allows analysts to better pinpoint when and how external and internal factors shape IO performance as new policy goals are translated into action.

Agency theory is premised on the simple assumption that performance problems naturally result when one actor (the principal) delegates authority to another actor (the agent) to carry out the principal's designs. Agency theory anticipates the existence of performance problems because, by definition, there is a divergence of interests between principals and their agents, which results in agent behavior that differs from principal expectations. Agency losses are understood to be the biggest side-effects of delegation. Principals can try to reduce opportunistic agent behavior through screening, contracting, and oversight mechanisms.

Agency theory has two major blind spots, however, that may be remedied by widening the angle of its conceptual lens. First, the literature overwhelmingly emphasizes the agent as the source of all poor outcomes; and second, most P-A scholars focus on IOs solely as agents to member-states principals. There has been little attention to problems on the *principal's* side of the P-A relationship and the fact that, at least in the case of international financial institutions (IFIs), the IO may be *both* principal and agent. A better understanding of these two issues contributes to stronger explanations of IO performance problems. The first point reflects the fact that much of the traditional P-A literature, with its roots in studies of economic contracting and corporate governance, is based on the assumption that the central problem is how to induce the agent to maximize the principal's welfare (Alchian and Demsetz 1972; Jensen and Meckling 1976). In other words, the onus of performance is on agents, who pursue their own interests and behave opportunistically. There is some recognition that the principals can create problems in the sense that the existence of multiple principals reduces the incentives agents face to meet the principals' preferences, and that agency slack is also to be expected when the goals are unclear (Moe 1984; Kiewiet and McCubbins 1991; Tirole 1994). Yet, to date, there is little research that closely examines the troubled institutional behavior that may be caused by multiple principals delegating overly ambitious or complex goals to their institutional agents. Better recognition of whether a performance problem has its roots in agent opportunism or complex delegation not only reveals more precisely the sources of performance difficulties but also informs attempts to correct them. For example, fixing performance problems through techniques such as screening and oversight—traditional

tools suggested by agency theory for solving agent shirking—are clearly not the most useful approaches if the main problem is that state principals are asking IO agents to do too much or to take on tasks that do not fit the institution's main strengths.

Recognition of the dual role of IFIs, such as the IMF, as both agents of member states and principals to recipient states also reveals more opportunities for gaps between an IO's policy goals and its on-the-ground behavior. Most of the recent IO literature using P-A models to explain IO performance only addresses the first level of delegation—member states (as principals) delegate to the bureaucracy (as agent)—in order to explain why states delegate, and how delegation may increase IO autonomy (Pollack 2003; Talberg 2002; Nielson and Tierney 2003). Stopping the chain of delegation at the organization's doorstep offers no means of explaining what the IO does or does not do with its delegated authority on the ground and hence does not explain what factors shape IO actions. For example, an IO may have the incentives to properly and carefully adopt a new mandate, but that new mandate may still fail when implemented in a particular country for reasons outside the IO's control.

Analyzing IFIs as principals to recipient-country agents is especially appropriate since the major activity of IFIs is the granting of loans, and the relationship between lenders and borrowers is widely recognized in the field of economics as a typical principal-agent relationship. Banks use screening, monitoring, and other tools as ways of reducing moral hazard and adverse selection problems that are common to P-A relationships. Indeed, development economists have long analyzed the relationship between IFI principals and recipient-country agents as a means of showing how IMF and World Bank conditionality fail to elicit the expected behavior from the recipient (Drazen 2002; Kahn and Sharma 2003; Killick 1997; Martens 2002; Svensson 2000). Conditionality is a classic P-A issue, because it is the tool used by donor-principals to induce policy change in recipient-country agents in return for aid. The recipient-country agents have incentives to pursue their own interests, and donors work on offering positive and negative incentives to ensure that the aid is properly spent.

A closer examination of problems inherent in delegation and a fuller view of the chain of delegation offer the means for identifying sources of faltering IO performance. They also add to our understanding of the complexity of what global governors do and how they interact. In this case, both member states and the IMF are global governors. States delegate authority to the IMF, although the IMF is involved in shaping its new tasks. The IMF, in turn, has expertise- and institution-based authority, but this does not extend well to issues of poverty reduction, which are outside the IMF's traditional strengths and comparative advantage. In effect, authority delegated to the IMF by member-state governors undermines the IMF's expertise-based authority. Stated differently, the IMF as agent may receive mandates or instructions that conflict with the IMF as a principal. The next section describes the MDGs and their progress, before turning to the case of the IMF to illustrate how delegation tensions impact both the IMF as agent and as principal, resulting in an institution ill-equipped to address many of the expectations placed upon it for addressing poverty reduction.

MDGs and Their Progress

The MDGs offer measurable, tangible goals for mobilizing international aid and support, and a means for measuring progress. They draw from a decade of previous

global initiatives, translated into eight goals, 18 targets, and 48 indicators. The first seven goals are directed at reducing poverty in a variety of forms: (1) eradicating extreme poverty and hunger; (2) achieving universal education; (3) promoting gender equality and empowering women; (4) reducing child mortality; (5) improving maternal health; (6) combating HIV/AIDS and malaria; and (7) ensuring environmental sustainability. The eighth goal is to "develop a global partnership for development," which is essentially the means for achieving the first seven goals. Such a partnership would include developing countries implementing rule-based trade, while developed countries increase net development aid. The targets and indicators that accompany each goal are yardsticks by which progress may be measured.

Recent evidence shows that while some countries are making progress in achieving at least some of the MDGs, most countries will fail to meet most of them, with the biggest failures occurring in sub-Saharan Africa. While many analysts were pessimistic before the global financial crisis that the MDGs would be reached, the crisis has obviously made the situation even more dire. A recent report published by the World Bank estimated 50 million more people would find themselves "trapped in extreme poverty" than expected a year ago, and warned the crisis would imperil the MDGs as it creates "an emergency for development" (World Bank 2009).

The IMF and Its Poverty Reduction Efforts

The IMF was created in 1944 to be the guardian of the post-World War II international monetary system by promoting and supervising exchange rate stability, facilitating international trade, and helping countries facing balance of payments problems (IMF 1944). While its mission has clearly evolved over the years, its basic goal has always been "safeguarding financial stability" (de Rato 2004). In turn, it states that it will contribute to the MDGs "through policy advice, technical assistance, financial support, and debt relief" (IMF 2006a).

The MDGs were given to an IMF already struggling to better address poverty-related concerns, an effort that does not fit well with the MDG goals. The IMF's first direct commitment to poverty reduction was launched in 1999 when the IMF and World Bank announced the Poverty Reduction Strategy Process along with the IMF's new PRGF in response to member-state interest in improving World Bank and IMF concessional lending and debt relief actions.

Under the new initiative, qualifying highly-indebted poor countries (HIPC) were required to organize and implement a PRSP as a condition for debt relief, so that resources freed up by debt relief could be focused on poverty reduction. As the World Bank noted, the PRSP became "a centerpiece" for relations between the two Bretton Woods institutions and low-income countries (World Bank Operations Evaluations Department 2004:2). Michel Camdessus (1999), the IMF Managing Director at the time, announced that member states had given the Fund a "clear mandate…to integrate the objectives of poverty reduction and growth more fully into its operations." To date, over 50 countries have prepared their poverty reduction strategies.

The philosophy behind the new process was that countries would be in the development "driver's seat" in creating their own poverty reduction strategies for a three-year period, eventually presenting them through the PRSP. This idea reflects a growing

body of research that argues development aid is more effective when backed by domestic commitment and political will (Dollar and Svensson 2000; Burnside and Dollar 2000; Sachs 1994). Governments would take charge of their poverty reduction destinies though a broad participatory process involving civil society actors and donors. The resulting PRSP, then, is actually a document produced by the recipient, with IMF and World Bank support, which lays out the country's poverty-reduction objectives and policies, as well as specific targets and measurement indicators for achieving goals. The document should also describe the participatory approach undertaken by the country, including a summary of the format, location, and number of consultations, the issues raised, and the role expected of civil society in monitoring and implementing the plan (World Bank 2004).

Typically, the reports are organized by sector or theme, with each including a list of itemized actions and their estimated costs. The PRSPs must then be "considered" or "endorsed" by the boards of the IFIs, although in recent years the IFIs have tried to reduce the perception that the boards have to officially "sign off" on a country's PRSP. PRSPs, and in some cases the interim-PRSP (I-PRSP) and annual progress report, are then linked to specific lending facilities at the IFIs.[2]

At the IMF, the PRSP is linked to its Poverty Reduction and Growth Facility, which offers concessional lending to poor countries with per capita gross national income of $895 in 2003 (IMF 2005a).[3] The PRGF programs are aimed at achieving the joint goals of poverty reduction and economic growth and are supposed to be framed by the PRSP. At the same time, the PRGF programs are also designed to cover only the areas that are the IMF's main responsibilities (versus the World Bank's), namely macroeconomic policies, exchange rates, tax policies, and fiscal management (IMF 2005a).

Problems with PRSPs/PRGFs

The PRSP process is widely accepted to be valid in principle and there is anecdotal evidence of progress in individual countries on issues ranging from more sustained participatory processes to shifts in government expenditures toward poverty reduction (World Bank and International Monetary Fund 2005; IMF 2003). At the same time, there is consensus among IFIs, donors, and NGOs that the performance of the PRSP process to date is mixed to poor. Many of the NGOs argue that the PRSP process is simply an exercise in pouring old structural adjustment wine into new bottles, with "poverty reduction" as a new label (Malaluan and Guttal 2002; Oxfam International 2004; Whaites 2002). The IFIs' own evaluations, in turn, tend to point to the complexity of undertaking PRSPs but are still fairly critical of the outcomes. After all, the process requires low-income countries to take on a challenging set of tasks that include creating and managing a complex policy dialogue, developing a poverty reduction strategy with various goals and monitoring systems, and all in the context of very weak administrative and technical capacities. Adding to the complexity is the fact that many goals are inter-connected, and therefore progress in one influences progress in another.[4] As the authors of a joint International Development Association (IDA) and IMF study on the process point out, "These are a set of tasks that few industrial countries could systematically do well" (International Development Association and International Monetary Fund 2002:4). And the IMF's Independent Evaluation Office (IEO) admits that "actual achievements thus far fall considerably short of potential" (IMF 2004:3).

An examination of the major tasks that member states delegated to the IMF, and that the IMF delegated to recipient countries shows how and why the PRS process is fraught with tensions, and why its implementation has been extremely difficult.

What the IMF is being asked to Do by Its Principals

Member-state principals have asked the IMF to develop and implement an approach to addressing poverty that runs into three important sets of problems. First, the entire PRSP process is a significant departure from the IMF's traditional approach to negotiating programs with recipient countries, involving the IMF explicitly in domestic political processes in those countries. Second, the links between promoting economic growth and reducing poverty are still unclear. And third, as discussed in the subsequent section, the PRS process does not fit well with the MDGs. As a result, even many IMF officials feel the institution's own role in this process is unclear (IMF 2004, 63-65).

The PRS approach puts the IMF squarely in the poverty-reduction business, which is quite different from its main mission of promoting economic stability. In fact, the IMF's efforts to promote stability in countries in crisis often contribute to worsening poverty in the short-term before alleviating it. For example, traditional IMF conditionality calling for cuts in government spending and other anti-inflation measures obviously directly impact a country's ability to increase spending to meet the MDGs. The IMF's view has always been that the adverse short-term effects of its conditionality will be offset by long-term benefits of economic stability, market efficiency, and growth, although there is also internal recognition that sometimes the IMF's policies are overly austere (IMF 2005b). Former World Bank chief economist Joseph Stiglitz snidely interpreted the IMF's philosophy as, "Soaring interest rates might, today, lead to starvation, but market efficiency requires free markets, and eventually, efficiency leads to growth, and growth benefits all. Suffering and pain become part of the process of redemption…." (Stiglitz 2002, 36).

But beyond the fundamental clash between the IMF's primary mission and this new task, the entire PRS approach also requires that the IMF work with countries in new ways that require it to engage in activities and processes that it is ill-equipped to handle. As the IMF's Independent Evaluation Office's review of PRSP/PRGF (2004, 6) notes,

> The implications of the PRS approach for the IMF 'way of doing business' have not yet been fully acknowledged or acted upon. The approach implies a very different way of organizing IMF inputs based on: a country-driven strategy that sets priorities within a long-term time frame; emphasizing contributions to informing a broader policy debate rather than traditional program negotiations…

Perhaps the most dramatic illustration of this shift is the fact that the PRS process requires the IMF and the World Bank to be more explicitly involved than ever in the delicate business of encouraging what may be significant *political* change in recipient countries, by nudging countries toward greater accountability and participatory policymaking. In effect, this means that the IFIs are asking governments to change their approach to governing in fundamental ways. Granted, politics are always implicitly

involved in IFI negotiations with recipient countries, but it is rare for this role to be made part of the IMF's explicit mandate.[5]

The IMF is especially poorly equipped to encourage countries to engage in more participatory practices for devising macroeconomic policies. Fund and Bank staff have argued that public participation makes sense in the context of a specific lending project, such as when the Bank consults the public before building a power plant or highway. Negotiating macroeconomic policy is a different kettle of fish. As one Fund official noted, "you cannot negotiate macroeconomic policy on the street," because discussion of issues like exchange rates and interest rates can immediately impact stock and bond markets, with potentially highly destructive results.[6] As he pointed out, even the U.S. Federal Open Market Committee does not open its doors to the public when debating changes to U.S. interest rates. As a result, the Fund is not in a position to negotiate in public, but it can encourage a government to inform the public of its decisions and encourage debate on its policies. In other words, while the IMF is not equipped to encourage macroeconomic policy decisions to be decided in public, they can certainly be debated in a public forum. The onus, then, is on the government to specify to the public what are the "rules of the game." To date, it appears that while more stakeholders are increasing their involvement in the process, it is still the case that broad, substantive debates about policy options are rare. As the IMF's 2004 IEO report noted, "The PRS process has had limited impact in generating meaningful discussions, outside the narrow official circle, of alternative policy options with respect to the macroeconomic framework and the macro-relevant structural reforms."(IMF 2004, 3)

Another tension between the IMF and the PRS approach stems from the fact that the IMF's business is to help countries to stabilize troubled economies, which is not always the same as promoting economic growth or reducing poverty. And while the IMF has turned its attention to poverty reduction, the linkages between aid, growth, and poverty reduction are still fuzzy.[7] Two of the IMF's own economists have even published a study concluding that there is no robust evidence that aid has any impact on growth, positive or negative (Rajan and Subramanian 2005). As IMF official James Boughton (2004, 13) has pointed out, "The challenge here is to provide macroeconomic policy advice to low-income countries that is consistent with the country's requirements for growth and the reduction of poverty, not just the requirements for stability." This recognizes that policy advice geared toward long-term poverty reduction and policy advice geared toward short-term macroeconomic stability may be very different. Traditional IMF advice, after all, calls for countries to tighten their economic belts, cut spending, raise interest rates, and so on. Such measures can work directly against poverty reduction in the short-run, either by slowing economic growth, or by making it impossible for governments to increase or focus spending in ways necessary to achieve the MDGs.

In terms of the PRGF, the key challenge facing the IMF has been how to better align these programs with the PRSP process. Ideally, the PRGF-supported programs should be embedded into the PRSP. Not only should the goals be aligned, but this also means that there has to be coordination between organizations on the process of developing both PRSP and PRGF. Also required is a good fit between the PRSP/PRGF-program and a government's national budget cycle. The evidence to date shows that the alignment process has not worked very well. The IMF's IEO report (2004, 43) notes, "In

most PRGFs, key strategic priorities and policy choices in both macroeconomic and structural areas in program design are still not guided by the PRSP." Problems include a "lack of specificity" in the PRSPs, and the fact that in some cases the numerical targets set by PRSP are out of whack by the time the PRGF is formulated (ibid, 45).[8]

The IMF's official response to the PRSP/PRGF challenge has mainly been to assume a "business-as-usual" approach, which is to say that its traditional work in helping countries achieve sustainable growth is the best way for it to help to reduce poverty. The IMF also touts its other skills in offering policy advice, in monitoring state economies, and in helping strengthen the broader international financial architecture. Finally, it points out that it has taken new steps to write off qualified poor countries' debt.[9] This type of response is clearly insufficient, since it neither addresses IMF staff concerns about what exactly they should be doing to juggle MDGs with their ongoing tasks, nor does it explicitly recognize the very real problems discussed above that cannot be properly addressed with traditional responses. Ultimately, while classic agency theory usually blames agents for performance problems, the IMF's struggles make clear the need for more guidance and leadership from its member state shareholders. In fact, there is evidence that the IFIs are speaking out critically, calling for donor countries to better coordinate their aid, to fulfill their pledges to improve aid quality, and to target their aid to meet their own goals, which often differ from those of the MDGs. An MDG *Global Monitoring Report*, published by the IMF and World Bank, is concerned that "…aid remains poorly coordinated, unpredictable, largely locked into 'special purpose grants,' and often targeted to countries and purposes that are not priorities for the MDGs" (World Bank 2006).

Problems at the Recipient-Country Level

A number of the PRS performance problems occur when the IMF and World Bank themselves act as principals in delegating tasks that are difficult to implement and measure to recipient countries. Recipients, as a result, face additional incentives for agency slack, usually by seeking the minimal compliance necessary to receive the desired concessionary aid and debt relief.

One of the key challenges at this stage may be called "taxicab delegation," an example of delegation pathology. IFI principals are delegating processes to support "country ownership" in principle, but not clearly in practice. Countries are told they are in the driver's seat, but the IFIs are perceived as telling them where to go, and of course, paying the fare (Pincus and Winters 2002, 14).[10] The mixed message is "You're in charge as long as you do it our way." Interpretations as to what exactly "country ownership" means in theory and practice also differ. This adds to unrealistic expectations or confusion. For example, what does "country ownership" mean if key domestic policymakers disagree on the goals to be pursued? Is their commitment what matters, or must they also be the source of the policy ideas? Is commitment an adequate reflection of country ownership if implementation is poor? (See, for example,World Bank and International Monetary Fund 2005,10-11). A common response among many countries has been to figure out what procedural hoops to jump through to receive debt relief and concessional funding. This has contributed to numerous cases of superficial participation processes with a short-lived impact (IMF 2004,22). In Guinea and Tajikistan, for example, government consultations with civil society groups ground to a halt after the

PRSP was approved by the government (in the case of Tajikistan) and completed (in the case of Guinea) (World Bank Operations Evaluations Department 2004,10).

Taxicab delegation is created by structuring the PRS as a process by which the country is supposed to be in charge of its policy goals while it must also present a document that passes muster with the IMF and World Bank boards, for the obvious reason that there must be some mechanism to determine whether the PRSP is sufficiently sound as a basis for financial support. Before September 2004, PRSPs and their related annual progress reports were presented to the boards with a four-to-five page "joint staff assessment" (JSA) by IMF and World Bank staffs that stated whether progress in implementation was satisfactory. While World Bank and IMF staff say this procedure was never intended to be an "approval" or "endorsement" of the documents, they were certainly perceived as such and hence undermined the sense of "ownership." JSAs have also been criticized by internal IMF and Bank evaluations as being of mixed quality, in many cases lacking substantive advice on how a country could strengthen its program. As a result of some of these problems, in September 2004 the JSA evolved into a "joint staff advisory note" designed to provide stronger advice on how PRSPs can be strengthened and how implementation may be improved. However, the JSA no longer includes the concluding paragraph of the JSA that explicitly recommended the Bank and Fund boards to find the document satisfactory for concessional lending (World Bank 2004).

A second challenge with IMF delegation of its PRS objectives at the country level is the perennial problem of mixed country capacity. At least one country hired an outside consulting firm to draft its interim PRSP (Brainard et al. 2003). Even in cases where countries are able to complete a satisfactory PRSP, integrating the process into existing government decision-making processes poses another set of challenges (Hudock 2002; International Development Association and International Monetary Fund 2002). "It is not clear," concludes the IMF's independent evaluation report (2004, 6), "…how much countries have to gain by treating the PRSP as an effective strategic road map, rather than as a procedural formality." Poor countries also have difficulty juggling the full range of projects and goals that IOs and donor countries impose upon them. One single country may find itself involved in literally hundreds of aid-related operations.[11]

Ultimately, the PRSP process creates enormous expectations for the IMF and recipient countries to meet. Perhaps no one should be surprised that given the complexity of the strategy, evidence of progress is so mixed.

How Do the MDGs Fit?

When the objective of the MDGs is placed on top of the PRS process, the process and picture become even more complicated. In principle, the PRSPs are supposed to be the mechanism by which governments translate MDGs into practice. PRSPs, therefore, are expected to be aligned with the MDGs. However, the IMF's ability (as well as that of other donors) to encourage this convergence and strengthen the recipient countries' implementation capacity has been elusive for several reasons.

First, the MDGs and PRSP goals are driven by two different processes that do not overlap well. MDGs are a set of ambitious, global goals, coordinated by the United Nations and devised in international summits and global conferences. Success is thus ultimately measured at the global level, e.g., when the *world* cuts poverty. Measuring success also runs into the problem that many developing countries lack the capacity to

compile the required statistics. When a country does not produce the required data, the United Nations and other IOs come up with estimates based on "the data of neighboring countries or countries with similar levels of income" (United Nations 2006, 26). Meanwhile, the PRSPs are the IFIs' own strategy, linked to concessional lending and debt relief. The PRSP is supposed to be tailored to a country's specific circumstances, to fit limited abilities and resources. Individual countries have strengths and weaknesses in various development areas. There is a lot of talk about using the PRSPs as a means to operationalize the MDGs, so the government can organize its priorities and coordinate external aid, but for most countries a realistic PRSP simply may not be enough to reach the MDGs. Equally important, PRS goals may differ from MDG goals at the country level. For example, Vietnam has prioritized addressing tobacco use as a health priority under its PRSP, but this health issue is not a part of the MDGs (World Bank and International Monetary Fund 2005,13). As countries try to respond to both MDG and PRSP requirements, many feel they must undertake multiple externally-driven processes that do not have much to do with their own economic plans.[12] This situation is further aggravated when donors' efforts to achieve divergent goals are not well coordinated at the domestic government level (World Bank and International Monetary Fund 2005, 13).

That said, there is some evidence that many MDG indicators are included in PRSPs. Researchers at the World Bank have put together data showing that of the 40 PRSPs surveyed, all had a least one indicator for the poverty headcount, education enrollment, and maternal health (Harrison, Klugman, and Swanson 2005). At the same time, fewer than 30 percent of the PRSPs had indicators for the MDG goals for malnutrition, biological diversity, housing, and air quality. The authors posit that some of the gap may reflect the fact that in some of these areas international indicators are less standardized.

How can these two different sets of processes be better aligned? One idea that the World Bank and IMF staff have suggested is to encourage countries to consider alternative frameworks for achieving the MDGs and to fit these within their poverty reduction strategies (Development Committee 2005). Alternative scenarios can lay out different combinations of resources and policies that would be required to achieve particular results. Making policymakers aware of different policy packages would allow more focus on short- and long-term measures and goals. This seems sensible and may work in countries that better address the more ambitious MDGs, but it also requires imagination in creating more visionary PRSPs. Another proposal calls upon donor countries to work harder at addressing recipient country priorities, instead of serving their own narrow concerns (World Bank and International Monetary Fund 2005,18). Other proposals look at ways in which recipient countries can strengthen their ability to develop and meet new policies and strategies by, for example, better involving parliaments, creating better monitoring systems, linking annual budgets and other public spending to specific objectives, and so on (World Bank and International Monetary Fund 2005, 25).

A second tension facing the IMF in its attempts to address the MDGs is that the MDGs require increased donor country aid. Indeed, Target 12 of Goal 8 of the MDGs is "more generous official development assistance for countries committed to poverty reduction." For example, the UN Millennium Project (2005) has argued that if industrialized countries increase their aid from 0.44 percent of their GNP in 2006 to 0.54 percent by 2015, the goals may be achieved. This increase is also less than the 0.7 percent

that countries agreed to in 2002 at their Monterrey conference on financing development. The IMF is supportive of calls for development aid to be doubled over the next five years, in order to make more progress toward reaching the MDGs, but it has historically been uncomfortable with increases in aid to unstable countries that lack the capacity to absorb increased external flows resources. In particular, before the current financial crisis, there was much talk about "Dutch disease"—instances where increases in wealth (from aid flows or, as in this Dutch case, the discovery of large natural gas deposits) create unintended outcomes, such as exchange rate appreciation, inflation, and reduced competitiveness (Ebrahim-zadeh 2003). The global financial crisis will push some of these issues to the sidelines, given the desire by G-20 countries and the IMF to inject liquidity into the world economy. But these concerns are likely to resurface.

Conclusion

The MDGs show every indication of heading toward collapse, although no doubt the rhetoric seeking to explain their failure will focus on the few intact pieces found amid the rubble and the bulk of the blame will be placed on the global financial crisis rather than specific actors. Nonetheless, the failure will also underscore how international attempts to create a common set of norms complete with targets and timetables run into trouble when the norms are not diffused evenly or well, and when no one is held accountable for the outcome. As Easterly (2002, 43) put it, "The buck stops nowhere in the world of development assistance."

The IMF's response to the MDGs has been similar to its response to the PRSP/PRGF, and that is one of marginal adaptation rather than a significant deviation from its usual approach. The G-20 leaders have given the IMF a central role in combating the global financial crisis, but the IMF's response is mainly in areas such as making its conditionality more flexible, increasing the amount and speed of its lending, and implementing some quota reforms. It is difficult to imagine the IMF's fulfilling director Dominique Strauss-Kahn's commitment to be "the voice for low-income countries" (G-20 Reaffirms IMF's Central Role in Combatting Crisis 2009).

This chapter has shown how the MDGs fit poorly—and indeed, sometimes directly conflict—with the IMF's own poverty reduction strategies and policies. Its efforts to then delegate tasks to recipient countries through its conditionality and policy processes run into additional challenges in cases where countries lack the capacity to carry out their end of the deal, or face increased incentives for shirking, or both.

Tracing the path of the MDGs through the IMF to recipient countries reveals a process where what exactly is being delegated, by whom, and to whom is diffuse and complex. It highlights some of the negative consequences of poor delegation and points to the need for more attention to the global governors' role and responsibility in what and how they delegate. If IO agents are given goals that are unclear, overly ambitious, unattached to incentives for accountability, or simply too complex to carry out properly, the core responsibility should be returned to the core principals, which in this case are member states. The agents may fail, but their inability to undertake their job (which may or may not be due to shirking in pursuit of self-interests) is ultimately traceable to something going wrong at the point of delegation. Put in the language of this volume, member-state governors can undermine IO governors when the former delegate a task that undermines the latter's expertise-based authority.

While this chapter has focused on some of the consequences of complex delegation, there is also a need for research that examines the reasons behind such delegation—that is, why do global governors delegate tasks that are overly ambitious or poorly conceived and, ultimately, so difficult for agents to carry out? And why do they choose to delegate tasks and diffuse global norms without clear accountability mechanisms? We also need to better understand the implications of actors simultaneously constituting both governor and governed, as is the case with IOs such as the IMF. Developing country clients of the IMF, in turn, are impacted by the behavior of the IMF, but are also involved to some degree in the IMF's own governance, as members of its governing bodies.

Complex delegation raises important questions about the efficacy of what is popularly understood as "global governance." The effects of complex delegation vary; sometimes, as in Newman's chapter (this volume) it provides opportunities for entrepreneurial governors to engineer flexible alliance strategies that enhance the governor's influence. At other times it renders general aspirational goals incoherent and exacerbates the gap between goals and implementation (Mundy, this volume). Examining complex delegation highlights the fact that no one governs alone, and that the relationships between and among global governors tells us much about processes and the disjuncture between goals and results. The policy implications of this case are also important, given the ripple effect MDG failure will have on debates about aid effectiveness.

In the end, one hopes the buck has to stop somewhere.

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Appendix I: Millennium Development Goals, Targets, and Indicators

<table>
<tr><th>Millennium Development Goals</th><th>Indicators</th><th>Targets</th></tr>
<tr><td rowspan="2">Goal 1: Eradicate extreme poverty and hunger</td><td>Reduce by half the proportion of people living on less than a dollar a day</td><td rowspan="2">1. Proportion of population below $1 (PPP) a day a
1a. Poverty headcount ratio (percentage of population below national poverty line)
2. Poverty gap ratio (incidence x depth of poverty)
3. Share of poorest quintile in national consumption
4. Prevalence of underweight in children (>5 yrs)
5. Proportion of population below minimum level of dietary energy consumption</td></tr>
<tr><td>Reduce by half the proportion of people who suffer from hunger</td></tr>
<tr><td>Goal 2: Achieve universal primary education</td><td>Ensure that all boys and girls complete a full course of primary schooling</td><td>6. Net enrollment ratio in primary education
7a. Proportion of pupils starting grade 1 who reach grade 5
7b. Primary completion rate
8. Literacy rate of 15 to 24-year-olds</td></tr>
</table>

Goal 3: **Promote gender equality and empower women**	Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015	9. Ratio of girls to boys in primary, secondary, and tertiary education 10. Ratio of literate women to men ages 15- to 24 11. Share of women in wage employment in the nonagricultural sector 12. Proportion of seats held by women in national parliament
Goal 4: **Reduce child mortality**	Reduce by two thirds the mortality rate among children under five	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of one-year-old children immunized against measles
Goal 5: **Improve maternal health**	Reduce by three quarters the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
Goal 6: **Combat HIV/AIDS, malaria and other diseases**	Halt and begin to reverse the spread of HIV/AIDS Halt and begin to reverse the incidence of malaria and other major diseases	18. HIV prevalence among pregnant women ages 15- to 24 19. Condom use rate of the contraceptive prevalence rate 19a.Condom use at last high-risk sex 19b.Percentage of 15-24-year-olds with comprehensive correct knowledge of HIV/AIDS 19c.Contraceptive prevalence rate 20. Ratio of school attendance of orphans to school attendance on non-orphans ages 10-14 21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria-risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course
Goal 7: **Ensure environmental sustainability**	Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources Reduce by half the proportion of people without sustainable access to safe drinking water	25. Proportion of land area covered by forest 26. Ratio of area protected to maintain biological diversity to surface area 27. Energy use (kgs of oil equivalent) per $1 GDP (PPP) 28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting chlorofluorocarbons (ODP

<table>
<tr><td></td><td>Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020</td><td>tons)
29. Proportion of population using solid fuels
30. Proportion of population with sustainable access to an improved water source, urban and rural
31. Proportion of population with access to improved sanitation, urban and rural
32. Proportion of households with access to secure tenure</td></tr>
<tr><td rowspan="5">Goal 8: Develop a global partnership for development</td><td>Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally</td><td rowspan="5">Official development assistance
33. Net ODA total and to the least developed countries, as a percentage of OECD/DAC donors' gross national income
34. Proportion of bilateral, sector-allocable ODA of OECD/DAC donors for basic social services (basic education, primary health care, nutrition, safe water, sanitation)
35. Proportion of bilateral official development assistance ODA of OECD/DAC donors that is untied
36. ODA received in landlocked countries as proportion of their gross national incomes
37. ODA received in small island developing states as proportion of their gross national incomes
Market access
38. Proportion of total developed country imports (by value and excluding arms) from developing countries and from least developed countries, admitted free of duty
39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries
40. Agricultural support estimate for OECD countries as a percentage of their gross domestic product
41. Proportion of ODA provided to help build trade capacity
Debt sustainability
42. Total number of countries that have reached their HIPC decision points and number that have reached</td></tr>
<tr><td>Address the least developed countries’ special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction</td></tr>
<tr><td>Address the special needs of landlocked and small island developing States</td></tr>
<tr><td>Deal comprehensively with developing countries’ debt problems through national and international measures to make debt sustainable in the long term</td></tr>
<tr><td>In cooperation with the developing countries, develop decent and productive work for youth</td></tr>
</table>

<table>
<tr><td rowspan="2"></td><td>In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</td><td rowspan="2">their HIPC completion points (cumulative)
43. Debt relief committed under HIPC initiative
44. Debt service as percentage of exports of goods & services
Other
45. Unemployment rate of 15- to 24-year-olds (male, female, and total)
46. Proportion of population with access to affordable, essential drugs on a sustainable basis
47. Telephone lines and cellular subscribers per 100 population
48a.Personal computers in use per 100 population
48b.Internet users per 100 population
(Some indicators will be monitored separately for the least developed countries, Africa, landlocked countries, and small island developing states)</td></tr>
<tr><td>In cooperation with the private sector, make available the benefits of new technologies—especially information and communications technologies</td></tr>
</table>

Adapted from the following sources: The World Bank Group. 2004. *Millennium Development Goals*. Retrieved November 9, 2005 from http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&menuId=LNAV01HOME1; United Nations. 2005. *UN Millennium Development Goals.* Retrieved November 9, 2005 from http://www.un.org/millenniumgoals/. United Nations Development Programme. *Millennium Development Goals.* Retrieved August 5, 2008 from http://www.undp.org/mdg/basics.shtml

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[1] Mundy's chapter in this volume presents a rosier picture of the MDGs, although her emphasis is more on acceptance of a global norm rather than evidence that Target 3, "ensure that by 2015 children everywhere…will be able to complete a full course of primary schooling," is being implemented. The "failure" I refer to is one of implementation, rather than norm acceptance. Recent data shows mixed evidence on the implementation side of the MDG for education, with many obstacles remaining, especially in sub-Saharan Africa. See, for example, http://www.dfid.gov.uk/pubs/files/mdg-factsheets/educationfactsheet.pdf

[2] I-PRSPs outline steps needed to develop a full PRSP—in other words, they are a road map to the road map.

[3] The annual interest rate for PRGF loans is 0.5 percent, with semi-annual payments beginning after a 5.12 year grace period, and ending 10 years after the initial disbursement. As of September 2005, 78 countries were eligible for the PRGF loans.

[4] One example would be how a child's level of health and nutrition impacts his/her likelihood of enrolling in school. See (IMF and World Bank 2005).

[5] A notable exception is the IMF's involvement since 1996 in the promotion of "good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public

sector, and tackling corruption, as essential elements of a framework within which economies can prosper" (IMF 2003).

[6] Author's interview with senior IMF official, August 19, 2005.

[7] See, for example, the literature that examines how aggregate growth is distributed, particularly whether or not it increases the income of the poor. Examples include (White and Anderson 2001).

[8] In the cases examined by the IEO, the average amount of time between presentation of PRSP and PRGF-supported programs was six months.

[9] This debt relief is a product of the Multilateral Debt Relief Initiative (MDRI) agreed to in June 2005 by the Group of 8 industrial countries, which proposed that the IMF, IDA, and African Development Fund would cancel all of the debt to heavily indebted poor countries that met a set of criteria under the World Bank/IMF Heavily Indebted Poor Countries (HIPC) Initiative, created in 1996 to help eligible countries receive debt relief. MDRI was created specifically to help countries make progress toward achieving the MDGs.

[10] Pincus and Winters use the taxicab metaphor as an "approach to partnership," but I argue it is a more important pathology that results from delegation challenges facing the IFIs.

[11] Data for Albania in the late 1990s, for example, show it dealing with more than 300 operations, coming from almost 30 different donors (World Bank and International Monetary Fund 2005, vi).

[12] Author's interview with senior World Bank official, August 2005.