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Social-Spending Targets in IMF Concessional Lending: Policy-Norm Entrepreneurship and the Institutional Foundations of Rapid Operational Change

Abstract

This paper draws on insights from Public Policy literatures to clarify understandings offered by Constructivist IPE of processes of operational change in international organisations (IOs). In particular, Public Policy literature is used to identify the scope conditions affecting policy-norm entrepreneurs' ability to catalyse rapid operational change, a central point of interest in Constructivist works. Three conditions are identified: a low level of preference incongruence amongst veto-playing principals, the presentation of precisely defined goals, and the existence of established rule-enforcement processes. These insights allow us to understand the apparently anomalous events of 2009, whereby Congressional lobbying from the NGO Working Group on the IMF catalysed a rapid expansion in the use of social-spending targets (education and health expenditure ring-fences) in concessional arrangements. With relevant institutional foundations in place, skilful policy-norm entrepreneurship was able to ferment rapid operational change at the IMF.

Keywords: conditionality, Constructivism, education expenditure, health expenditure, policy-norm entrepreneur, Public Policy, social spending

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Introduction

Through the past decade, the question of what drives operational change in international organisations has become an increasingly central focus of Constructivist IPE scholarship. Following the seminal contribution of Michael Barnett and Martha Finnemore (2004), the International Monetary Fund (IMF) and World Bank in particular have been the subject of many investigations by ideationally-minded scholars (cf. Broome and Seabrooke 2007, Chwieroth 2008, Weaver 2008, Broome 2010a, Broome 2010b, Chwieroth 2010, Clegg 2010a, Moschella 2010, Park 2010, Park and Vetterlein 2010, Weaver 2010, Broome and Seabrooke 2012, Clegg 2013). And while many valuable empirical and conceptual insights have been generated, areas of unclarity remain. In particular, while the figure of 'policy-norm entrepreneurs' (under various guises) feature regularly in Constructivist analyses,[i] knowledge of the conditions affecting their capacity to shape outcomes remains underdeveloped. With a large volume of work that privileges policy-norm entrepreneurship in explanations of policy change (cf. Kingdon 1984, Baumgartner and Jones 1993, Mintron and Vergari 1996, Mintron 1997, Provost 2006, Mintron and Norman 2009), the extant body of Public Policy literature offers a particularly fruitful source from which to begin to address this issue. Through the paper I draw on the insights of this scholarship to identify a range of relevant scope conditions, and apply this to the case of the rise of social-spending targets in IMF concessional lending.

The rise of social-spending targets at the IMF represents an intrinsically important case study. Government expenditure has long been a controversial subject at the IMF. While IMF staff and management have long held the 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 apparent ambivalence of IMF staff to social issues (Barnett and Finnemore 2004, Blackmon 2008, Gutner 2010), the rapid operational change following the intervention of the Working Group on the IMF represents a puzzling occurrence. The argument put forward in this paper is that, in early 2009, these policy-norm entrepreneurs were in a context where core scope conditions for the generation of rapid operational change were met. With broad support for social-spending targets amongst veto-playing principals, a precisely defining policy goal, and processes for monitoring and enforcing compliance with rules firmly established at the Fund, the NGO Working Group was able to capitalise on highly supportive institutional foundations. By marrying the insights from Public Policy with Constructivist IPE, this paper seeks to expand the incorporation of institutional factors into analyses of policy-norm entrepreneurship.

In developing this line of analysis, I begin by reviewing the use of the 'policy-norm entrepreneur' concept in recent IO-focused Constructivist works, and in the broader Public Policy literature. From this review three scope conditions are identified, which shed light on the way in which institutional foundations shape policy-norm entrepreneurs' ability to catalyse policy change. Through the second and third sections of the paper, I demonstrate that the institutional foundations had been laid for each of these conditions to be met by the mid-2000s. Through the fourth section, I outline the policy-norm entrepreneurship of the NGO Working Group. By successfully ensuring that the US Executive Director of the IMF was tied in – via a Congressional Legislative Mandate – to supporting social-spending targets in concessional lending arrangements, the Group's actions served to nudge the policymaking context past a tipping point. Through the fifth section, I present evidence of the rapid operational change at the Fund. With the organisation's most significant veto-player on board, Executive Directors approved guidelines to staff in July 2009 outlining that, in concessional lending arrangements, government expenditure on education and health should remain stable or rise through the course of an arrangement. Aided by institutional structures at the IMF, these rules were efficiently transformed into operational reality. Finally, in the concluding section, I reflect on future avenues of research that are introduced by the findings from this paper.

Institutional Contexts and Policy-Norm Entrepreneurship

By highlighting the important role played by intersubjective frameworks in international politics, Constructivist contributions have usefully served to expand the analytic focus of mainstream IPE scholarship. And while policy-norm entrepreneurs have come to occupy a central role in many Constructivist analyses of norm change, attention has only recently been placed on the links between institutional contexts and policy-norm entrepreneurship. After briefly reviewing the relevant Constructivist literature, I turn to insights from Public Policy analyses to clarify this relationship. In so doing, I outline relevant scope conditions affecting the capability of policy-norm entrepreneurs to achieve rapid operational change.

At its most general, the Constructivist approach to the analysis of international politics is united by a core assumption that ideas are constitutive of political power (Finnemore and Sikkink 2001). Constructivist work began to emerge as an identifiable sub-group of International Relations literature through the latter part of the 1990s, and was commonly framed in contradistinction to core assumptions of mainstream 'rationalist' scholarship. Barnett and Finnemore (2004: 6), for example, notably suggested that agents of global politics could be considered to be powerful 'not so much because they possess material and informational resources, but… because they use their authority to orient action and create social reality'. Along these lines, prominent interventions sought to demonstrate that rather than resulting from cost/benefit analyses of future payoffs, agents' behaviour was driven in important respects by deeper underlying beliefs about what constituted appropriate behaviour in a given context (e.g. March and Olsen 1998). From this analytic starting point, a core objective of Constructivist work came to be focused on the question of how 'norms', the basic defining characteristics of a regime around which actors' expectations converge in a given issue area (Krasner 1982), emerged and evolved across the international sphere. In this connection, the introduction of the 'norm entrepreneur' represented a core conceptual innovation.

For Finnemore and Sikkink, the norm entrepreneur was allocated a central role in processes of ideational change in international politics. Within the 'norm life cycle' model introduced by these authors, norm entrepreneurs were identified as the main mechanism through which new ideas were introduced into a given issue-area in global politics. Privileging the role of agency and indeterminacy in processes of change, Finnemore and Sikkink (1998: 896-7) suggested that 'norms do not appear out of thin air; they are actively built by agents having strong notions about appropriate or desirable behaviour in their community'. Following this contribution a line of literature emerged that sought to explore these processes in detail, with heavily conceptual debates emerging over the epistemological and methodological difficulties associated with efforts to attribute causal significance to norm entrepreneurs and the power of ideas (c.f. Checkel 2001, Fearon and Wendt 2002, Sending 2002, Jupille et al 2003, Weiner 2003). In parallel, a more problem-driven approach to the analysis of ideational factors has also emerged. Work from Constructivist scholars on international economic organizations features prominently within this latter literature; it is with these works that the paper engages with, which fall broadly within the range of 'soft' Constructivism (Price and Reus-Smit 1998, Palan 2000). The incorporation of insights from Public Policy that I advance is in line with the 'bridge-building' tendencies of these works.[ii]

A central preoccupation of this IO-centred Constructivist literature has been on exploring the links between 'bureaucratic culture' and operational practice in key arenas of global economic governance.[iii] In common with earlier Constructivist work, these analyses are often presented as offering a corrective to rationalist scholars' ontological privileging of material factors in explanations of IO behaviour (c.f. Weaver 2005, Nielson et al 2006, Broome and Seabrooke 2007, Weaver and Park 2007, Broome 2010, Chwieroth 2010, Clegg 2010a, Moschella 2010). In this strand of literature prominent norm entrepreneurs are commonly identified (e.g. Weaver 2008: 131-8, Broome 2009: 73-5, Clegg 2010b: 487, Momani 2010: 226, Baker 2012: 13-14), although the exploration of conceptual issues surrounding these roles has tended to remain limited.

The recent contribution of Susan Park and Antje Vetterlein (2010a, 2010b) has served to focus attention on the role played by norm entrepreneurs in and around international organisations. Park and Vetterlein define policy-norms as 'shared expectations for all relevant actors within a community about what constitutes appropriate behaviour, which is encapsulated in policy'. Through this work the authors both demonstrate that internal and external policy-norm advocates play important roles in shaping operational behaviour at the World Bank and IMF, and introduce reflections on the links between institutional structures and norm advocacy. In particular, the authors suggest that the Fund's hierarchical features serve to increase the importance of elite actors in processes of change. Whereas at the World Bank policy change often comes through incremental conversion and gradual alliance building by policy-norm entrepreneurs in a bottom-up process, the Fund's hierarchical structure serves to embed tendency towards more top-down processes of change (2010b: 229-30). This emergent interest in IO-focused constructivist IPE on the links between norm advocacy, institutional structures, and operational change provides the conceptual point of entry for this paper. Building on this starting point, I draw on established Public Policy literatures to review the defining features of policy-norm entrepreneurs, and outline the scope conditions affecting the capacity of these agents to generate rapid operational change.

Analyses of policy entrepreneurship first emerged in Public Policy literatures in the early 1970s, with these change agents gaining a prominent explanatory role in mainstream models of the policymaking process. Defined broadly as individuals who change the direction and flow of politics (Schneider and Teske 1992: 737), the characteristics of effective policy entrepreneurs have been subject to much investigation. Policy entrepreneurs have been portrayed as continually seeking venues through which to promote their desired policy innovations (Kingdon 1984), and have been found to display a number of common characteristics. These characteristics include a high degree of social acuity (encompassing an ability to make use of policy networks, and to understand the perspectives and motivations of others in a given context), and a capacity to creatively define a policy problem and its solution in a manner that highlights important shortcomings in existing practices, and generates support from a group beyond the immediate stakeholders in a given policy context (Roberts and King 1996, Mintrom 2000). These general characteristics usefully highlight the skills necessary for policy entrepreneurs to draw upon to transform a window of opportunity into a policy change; however, as was pointed out in a recent review of the state of the art of scholarship on policy entrepreneurship and policy change, 'the value of… [the] concept is greatly increased when it is integrated with broader theorizations of the sources of policy stability and policy change' (Mintrom and Norman 2009: 658). I accomplish this here by engaging with the principal-agent model, which allows us to clarify the institutional foundations of rapid operational change. Indeed, following the contribution of Hawkins et al (2006), the framework has recently begun to receive significant attention from IO scholars.

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). With a growing focus on the factors affecting the capacity of legislative principals to control the behaviour of bureaucratic agents involved in policy delivery, the framework became increasingly widely used by Public Policy analysts through the 1980s and 1990s. The three scope conditions that can be identified in the principal-agent literature as affecting policy entrepreneurs' capacity to secure rapid operational change are: first, the existence of a low level of preference incongruence between veto-playing principals; second, the presentation of goals in a precisely defined, quantified manner, and; third, the existence of efficient rule-enforcement processes. In the following paragraphs I explore each of these conditions in turn.

In early Economic modelling, the principal-agent framework was generally conceptualised as a one-to-one relationship. When applied to issues in Public Policy, in which many different groups and individuals have a legitimate interest in outcomes and credible means with which to influence them, the scale of analysis underwent a significant broadening. While the existence of multiple principals did not automatically generate problems of principal control, such contexts served to raise the analytic salience of preference heterogeneity. In policy contexts characterised by multiple principals with divergent goals, principals were found to either fail to communicate clear goals to the agent, or, by presenting competing goals, to provide the agent with the opportunity to play principals off against each other (Moe 1987, Wood and Waterman 1993, Waterman and Meier 1998). However, it has been suggested that when principals' preferences align, the potential for successful delegation increases (Nielson and Tierney 2003, Lyne et al 2006). Indeed, where institutional rules allow for majoritarian decisions to be taken, a unified signal can be communicated to an agent *in lieu* of unanimity. Providing the necessary level of consensus can be generated within the arena that functions as the collective principal in such cases, effective delegation is attainable (Tierney 2008: 296-7). Building on Tsebelis (1995), a veto-playing principal can be understood to refer to an actor whose agreement is required to enable a collectively sanctioned directive to be issued to an agent. Given the costs associated with successfully converting policymakers to their chosen cause, a low level of incongruence (preference heterogeneity) between veto-playing principals can be identified as the first scope condition affecting policy-norm entrepreneurs' capacity to catalyse rapid operational change.

A founding assumption of the principal-agent model is that conflicts of interest are an inherent feature of the relationship between the two parties. Following from this assumption, the act of contract writing was held to represent a vitally important means of ensuring that the desired efficiency gains were secured through the act of delegation. A central insight generated has been that, rather than expending resources attempting to evaluate the effort put into a task by the agent, principals should engage in setting output-oriented goals; by clearly stating the desired output, the agent can be allowed to develop the specialised knowledge and processes that deliver payoffs to the principal (Ouchi 1978, Dye 1986). Transposed into the analysis of Public Policy, the issue of output specification assumes a greater degree of complexity. With goals that tend to focus on the achievement of broad, multidimensional objectives, and incomplete knowledge of the causes of success and failure in relation to these objectives, policymakers' attempts to delegate tasks are fraught with problems of definition (Bergman and Lane 1990: 345, Whynes 1993: 444-5, Hawkins et al 2006: 24). However, in line with earlier insights, applications of the principal-agent framework have demonstrated that where outputs have been clearly defined and aligned to quantitative indicators, timely agent compliance can be secured (Lane 2005: 68-72, Gould 2006: 304-6). These insights provide the basis of the second scope condition: given the room for error and shirking introduced by loosely defined goals, to generate rapid operational change policy entrepreneurs' desired outcomes must be presented in a precisely defined, quantified manner.

The final institutional foundation highlighted by principal-agent analyses as contributing to effective control relates to the establishment of monitoring and incentive frameworks. By creating regularised reporting procedures through which relevant information on performance is collated, principals are able to reduce the magnitude of information asymmetries (Mitnick 1980, Levitt and Synder 1998, Waterman and Meier 1998). These reporting processes can be public or private, and undertaken internally within the principal-agent relationship, or externally involving a third-party actor (Strausz 1997). However, providing that readily monitorable goals are layered in to these processes, principals can introduce rewards and penalties in order to manage performance. A number of works have investigated the powers of patronage held by political principals as an incentive-based mechanism of control, finding that this can be a useful means of keeping the bureaucratic agent 'on task' (Moe 1990, McCubbins and Schwartz 1984, Epstein and O'Halloran 1999). And beyond this elite level, control over lower-level appointments provide an additional mechanism of control; knowing that monitoring processes exist to pick-out instances of non-compliance, individual staff are presented with an institutionalised push to generate favoured outcomes. Indeed, Weingast (1984) has suggested that because staffs in public agencies are aware that principals hold the purse strings over their budgetary allocations, a tendency towards conformity is hard-wired into the principal-agent relationship. By creating appropriate internal checks and balances, principals can lock-in this conformist dynamic (Hawkins et al 2006: 29-30). This brings us to the third scope condition: in order to generate rapid operational change, policy entrepreneurs must be supported by incentives and monitoring frameworks.

From the principal-agent literature, then, we are able to draw three scope conditions affecting the capacity of policy-norm entrepreneurs to achieve rapid operational change. Through the following section of the paper, I evaluate the extent to which these conditions were met by the late-2000s. The propitious institutional foundations that are revealed help us to understand the effectiveness of the Working Group on the IMF's intervention in 2009, which is reviewed in later sections.

Evaluating the Institutional Foundations: Scope Condition One

Within the International Monetary Fund, the Executive Board acts as the collective principal. Through the Fund's Articles of Agreement, the Board is situated as the primary location of day-to-day decision-making authority; given sufficient levels of consensus amongst Executive Directors, collectively sanctioned goals can be issued to staff and senior management. The Board is composed of 24 Executive Directors; five are appointed by individual member states, while constituency groups elect the remainder. Directors carry the voting power of the state(s) they represent into the Board, with most decisions – including standard policy reforms – requiring the ascent of 50 percent of the votes present at the meeting. Given that under the Fund's 'consensus-based' approach votes are rarely taken by the Board, considerable debate remains over the processes through which Directors are able to realise their preferences (c.f. van Houten 2002, Leech 2003, Mountford 2008). In line with recent findings (Copelovitch 2010, Clegg 2012), I hold the five appointed Executive Directors to constitute the core veto-playing principals whose positions play a predominant role in shaping the collectively sanctioned goals that are issued to staff. Accordingly, I focus on these figures when gauging the degree of congruence in relation to social-spending targets. In order to explore the processes through which this consensus emerged, more space is devoted to the exploration of this scope condition relative to the second and third conditions.

The emergence of the idea of including social-spending targets in concessional lending programmes can be traced back to the early 1980s, from which time staff within the IMF Fiscal Affairs Department (FAD) began to devote significant analytic resources to the issue. 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, with evidence of Board support emerging through the late 1980s and through the 1990s.

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). A similar dynamic again occurred in relation to US Secretary of the Treasury James Baker's criticism of IMF operations, whereby Tait and Heller explicitly sought to frame their ongoing expenditure analysis to the Fund's Managing Director as contributing to the institution's efforts to – in line with Baker's injunction – become more 'growth friendly' (IMF 1985b, IMF 1985c, IMF 1986).

Through these actions, then, a focus on the links between disaggregated spending patterns and the impact of Fund concessional lending arrangements had by the mid-1980s began to gain traction in the organisation. It was in 1988 that the level of Boardroom support for these developments can first be observed. During the Board's inaugural discussions of the implications of Fund-supported programmes for poverty reduction, a FAD staff paper introduced proposals to protect social spending in concessional lending. Drawing directly on the Department's Baker-related work programme, FAD's 1988 paper outlined the benefits of protecting education and health expenditure 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. Many Directors offered general support while also calling for further data collection and analysis, and closer cooperation with the World Bank on the issue (IMF 1988b). Through the early 1990s, with the Fund becoming increasingly involved in lending to low-income members, support for exploring additional means of increasing the pro-poor impact of concessional lending remained high: in a 1993 review of the operations of the Enhanced Structural Adjustment Facility (ESAF), for example, four of the five core veto-playing principals called for reforms in this direction (IMF 1993).

The high profile issue of debt relief helped to keep these concessional lending on the IMF agenda through the mid- to late-1990s. In a subsequent Board review of ESAF, FAD staff again floated the idea of protecting social spending levels in programme arrangements (IMF 1997b). While nine Directors (including two core veto-players) provided backing for the proposal as floated in the 1997 FAD background paper, the majority were more equivocal (IMF 1997a: 80). While there was insufficient consensus to secure a firm approval of this policy shift, there was sufficient agreement for collectively sanctioned Guidelines on Social Expenditure to be issued to staff. These Guidelines required staff to collect data on health and education levels, and to comment on trends in country reports (IEO 2003: 53).

A significant convergence of principal preferences in favour of the use of social-spending targets came around the turn of the millennium. Through the closing years of the 1990s, the IMF Board moved to approve increasingly large volumes of debt reduction for low-income countries. At this time, Executive Directors representing donor states were placed under pressure from their political masters to demonstrate that resources committed were being translated into effective poverty reduction. With FAD staff informally promoting the idea of using expenditure ring-fences as a means of demonstrating the institution's contribution to poverty reduction,[iv] Board-approved guidelines stipulated that, in order to access debt reduction, the applicant state must develop a Poverty Reduction Strategy Paper outlining pro-poor expenditure streams. In the wake of this development, broad support for the protection of social spending levels can be observed in Board discussions through the early 2000s. In a 2003 review of fiscal adjustment under IMF-supported programmes, four of the core veto-playing principals provided strong support for including greater measures to protect social spending in lending arrangements.[v] While providing general support that arrangements 'need to be sensitive to… how social policy issues fit into the fiscal envelope', the US Director suggested that the detail of social issues remained within the remit of the World Bank (IMF 2003: 102-3). This broad-based support is also reflected in a later review of the Poverty Reduction and Growth Facility (PRGF, the successor to ESAF), in which the Board collectively welcomed the finding that in PRGF programmes 'fiscal targets have become more flexible to accommodate increased expenditures on pro-poor programmes' (IEO 2004: 127).

By the mid-2000s, then, there was a high degree of congruence in core veto-playing principals' positions in relation to the incorporation of social-spending targets into IMF lending arrangements. With broad support within the Board, and the backing (albeit, in the case of the US Director, with reservations) of core veto-playing principals, an important institutional foundation was laid several years in advance of the NGO Working Group intervention.

Evaluating the Institutional Foundations: Scope Conditions Two and Three

The second and third scope conditions identified that shape the extent to which policy-norm entrepreneurs can catalyse rapid operational change related to the precise definition of desired outputs, and the existence of established rule-making and enforcement processes through which agent behaviour can be controlled. In the paragraphs below, I outline factors relevant to each condition in turn.

In relation to the second condition, the concept of 'social spending' had by the early 2000s come to have a commonly accepted meaning, which was closely aligned with significant data collection activities. The term 'social expenditure' first began to gain prominence in IMF documentation during the late 1980s, in particular through the Fiscal Affairs Department's 'Social Expenditure Outlook Papers'. Following these Papers, the term was used synonymously with levels of aggregate spending on education and health. Social spending retains this core definition through to the contemporary period. By calling explicitly on Congress to ensure that education and health spending remained stable to increased during concessional lending programmes the intervention by the NGO Working Group served to further solidify this association, in the process establishing a clear, quantitative indicator with which to judge performance.

In addition to the precision with which the desired outcome was stated, by the late 2000s significant effort had been put by the Fund and other multilateral organisations into enhancing low-income countries' capacity to collate data on disaggregated expenditure patterns. Through the Public Expenditure Working Group World Bank and IMF staff collaborated to identify areas where technical assistance was required in this area, and to provide the necessary support to developing-country governments. This Group was established in 2000, and by the mid-2000s disaggregated data on education and health expenditure was being included in budget projections by the majority of developing country governments (IMF 2001: 20, IMF 2006: 21). These activities helped ensure that established data-collection networks existed that were capable of generating data to track the IMF Working Group's precisely defined goal.

In relation to the third scope condition, existing scholarship on the IMF has characterised the institution as being 'hierarchical' by virtue of the effectiveness of the internal mechanisms of bureaucratic control (Momani 2007, Vetterlein 2010). Indeed, in a 2006 internal survey, IMF staffs themselves reiterate this conclusion (IEO 2006). Here, I focus on three core internal mechanisms through which the Executive Board as a collective principal is able to shape operational outcomes. In addition, as the social spending case study invoves a two-stage delegation (Congress – US Executive Director; IMF Executive Board – Staff), I also provide brief information about relevant oversight processes in US domestic politics.

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.[vi]

Beyond these mechanisms for communicating rules, the Fund's institutionalised processes surrounding the production of programme documentation an additional important mechanism through which collectively sanctioned directives are translated into operational practice. 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 the Strategy, Policy, and Review Department (SPRD). A core function of SPRD is to ensure that programmes are consistent with operational guidelines, and the Department has a reputation for fulfilling this mandate in a robust manner (Momani 2007: 47-8). While Country Reports and other documentation associated with lending programmes are produced by subsequent Mission Teams, they must ultimately be signed-off by SPRD. Through this process the Department plays a crucial internal 'enforcement' role within the organisation.[vii]

In addition to SPRD reviews, a final key institutional check to ensure that lending arrangements are aligned with principal preferences comes through the Boardroom review process. All lending arrangements and subsequent reviews must be approved by the Board, with the relevant Mission Chief presenting the documentation at these review meetings. Mission 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). In combination, these rule-making and enforcement processes provide the IMF with its uniquely hierarchical character. While the capacity to make and enforce rules is often identified as a defining feature of bureaucratic organisations (Weber 1978: 956-63, Olsen 2005: 4-5), in the case of the IMF these structures are held to be particularly effective.

The above institutional features constitute established processes through which collectively sanctioned rules can be made and enforced at the IMF. However, the NGO Working Group's intervention on social-spending targets involves a stage in the delegation process. This second stage concerns the control mechanisms that exist between Congress and the US Executive Director of the IMF. Catherine Lavelle (2011) has explored this issue in depth. Lavelle demonstrates that, throughout the post-1945 period, an elaborate system of checks has been established through which US domestic actors have sought to shape IMF operational practice. At the heart of these efforts has been the practice of enacting Legislative Mandates, legally-binding resolutions that compel the US Director to use her voting power in the Fund in support of a given end (Cohn 2001).

At present, around 170 Legislative Mandates are in force in relation to the US representatives in international financial institutions (US Treasury 2010b). As a consequence of their prevalence, institutionalised processes exist to monitor and enforce the content of these Congressional Legislative Mandates. 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. These processes constitute an important secondary component of the rule-making and enforcement processes of relevance to the case of social-spending targets at the IMF.

Policy-Norm Entrepreneurship: The NGO Working Group Intervention

The impact of the Global Financial Crisis on structures of global economic governance remains heavily debated (c.f. Helleiner and Pagliari 2011, Broome et al 2012, Zimmerman 2012). However, for a collection of Washington DC-based NGOs the early phase of the G20 response was interpreted as clear window of opportunity. In particular, the Obama Administration's attempts to tag an approval for the release of US$100 billion in support of global efforts to bolster the IMF's reserves was rapidly seized on to leverage operational change out of the IMF. By skilfully drawing on policymaking contacts and their understanding of the policymaking process, these NGOs were able to secure the creation of a Congressional Legislative Mandate on social-spending targets.

With a major injection of resources to the IMF looking increasingly likely through late 2008, a collection of Washington-based NGOs with an interest in Fund-related matters began to coordinate their activities. An umbrella group – the NGO Working Group on the IMF – was formed at this time, which brought together 11 NGOs behind a reform agenda.[viii] In line with the established goals of core members of the Working Group, the proposal that education and health expenditures be protected in IMF concessional lending arrangements featured at the head of this agenda.[ix] Through mid-2009 the Working Group contracted the services of a professional lobbyist to promote their agenda on Capital Hill (Interview I), and it was during May and June 2009 in particular that an intensive period of policy-norm entrepreneurship took place. The Supplemental Appropriations Bill, to which the

Obama Administration added clauses relating to IMF funding increase, was at the heart of these activities.

The Supplemental Appropriations Bill was passed by the House of Representatives on 14th May, 2009. At this point in its life, the Bill did not contain clauses relating to IMF spending; these amendments were introduced by the Democrat-controlled Senate on 21st May, 2009. In response to these amendments, the NGO Working Group picked up its activities, joining forces with Democratic Representative Maxine Waters. Waters was both dissatisfied with the original version of the Bill, and had a history of engaging on IMF-related themes. With the Representative, the NGO Working Group co-wrote a letter calling on the House leaders involved in reconciliation negotiations with the Senate to add provisions relating, amongst other matters, to the protection of education and health expenditure in IMF arrangements. This letter received the support of 41 fellow Representatives; given that the Democratic majority in the House was 79, final approval of the Bill was contingent on gaining these dissenters' support.

Beyond this letter, the NGO Working Group's lobbying efforts through May and June sought to engage directly with strategically-important Senators and Representatives. In these communications two closely linked lines of argument were used to promote the reform agenda. Along one track, the protection of education and health expenditure was framed as a means of realising the G20 commitment that IMF support by used to finance counter-cyclical spending:

> If the IMF uses resources provided by the US taxpayer to promote recessionary policies, the public will rightly ask why the money was provided. To avoid this political backlash, it is essential that the Fund be directed to use new money to promote stimulative policies.[x]

Along the second track, broader 'no blank cheque' rhetoric was incorporated into the communications strategy. This message was particularly effective at gaining support from those amongst Republican members of Congress with relatively well-established anti-IMF views.

With strong Congressional support, the amendment to the Bill was introduced by Senator Sherrod Brown. The inserted text read:

> The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund to use the voice and vote of the United States to oppose any loan, project, agreement, memorandum, instrument, plan, or other program of the Fund to a Heavily Indebted Poor Country that imposes budget caps or restraints that do not allow for the maintenance of or an increase in government health care or education'.

This language mirrors the 'proposed legislative language to address needed IMF reforms', which was circulated by the NGO Working Group in their lobbying communications.[xi] The amendment was included in the version of the Bill approved by the House on 16th June, the Senate on 18th June, and signed in to law by President Obama on 24th June, 2009. With the passage of the Bill, the US Executive Director of the IMF was legally compelled to ensure that no concessional lending arrangement served to curtail education or health expenditure on the part of the borrowing country government.

By tying the 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 collectively sanctioned message to staff. With staff from the US Treasury pushing for action from the US Executive Director (US Treasury 2010a), this development came just one month after the passing of the Supplemental Appropriations Bill. On 23rd July 2009, the IMF Board approved 'A New Architecture of Facilities for Low-Income Countries' (IMF 2009b: 1). Through this decision, staff were notified 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 a coalition led by the US Director (acting under the influence of her newly-enacted Legislative Mandate), new Guidelines on Poverty Reduction and Growth were drafted and distributed to operational staff highlighting the importance of incorporating social-spending targets into programme documents (Interview H). Domestic policy-norm entrepreneurship, allied to the high level of pre-existing preference congruence amongst veto-playing principals, facilitated the delivery of a precisely defined goal to staff. With the aid of the IMF's efficient rule-enforcement processes, this directive was translated into rapid operational change.

Rapid Operational Change on Social-Spending Targets

Through the Board decision and associated Guidelines, news of the Board decision was efficiently passed across the institution. The policy shift was of particular relevance for 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). In line with the conventional wisdom regarding the efficiency with which the Department carries out its internal policing role, SPRD-LIC quickly internalised the practice of 'looking out for' social-spending targets in programme documentation (Interviews J and K). Beyond SPRD-LIC, the common interpretation among staff is that a collective awareness arose within Area and Functional Departments 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).[xii] Evidence of the speed with which the operational shift occurred can be seen from both the re-writing of existing arrangements that occurred, and the transformation of the use of social-spending targets from being a minority to a near-universal practice.

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 1). 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;[xiii] this contrasts dramatically to the figure of under 20 percent for 2001-08 (the former figure refers to Poverty Reduction and Growth Facility arrangements, and the latter to Extended Credit Facility (ECF) arrangements; under the new lending architecture the ECF succeeds the PRGF,[xiv] and so constitutes the appropriate point of comparison). When issued with clear orders over reforms to concessional lending practices, IMF staff very rapidly began to toe the line.

Table 1 here

The targets included in the ECF arrangements allow for stable or rising levels of social spending, and as such meet the terms laid out by the collectively-sanctioned goal. To generate an additional source of information on these targets, 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 2). While this exercise is affected by data limitations, it can be shown that meaningful targets were incorporated into the most programmes.

Table 2 here

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). 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).[xv] In short, all targets comply with the letter of the collectively sanctioned goal, and the majority with the spirit of the NGO Working Group intervention underlying the shift.

Conclusion

With existing literature suggesting that IMF staff have an ambivalent view of the relationship between the organisation's core mission and 'social issues', the dramatic expansion in the use of social-spending targets in its concessional lending operations following the 2009 intervention of the NGO Working Group presents an apparent puzzle. Through this paper, I have demonstrated that rapid operational change became attainable at this juncture through the coalescence of three scope conditions, identified through existing Public Policy literature.

The first of these scope conditions relates to the low level of preference incongruence amongst veto-playing principals. In assessing this institutional foundation, it was demonstrated that support for social issues has existed for several decades in the Fiscal Affairs Department, and amongst a growing corpus of Executive Directors. While in general staff may have remained ambivalent, by the mid-2000s all veto-playing principals expressed support for the protection of social spending in concessional lending arrangements (albeit with reservations, in the case of the US). With lobbying from the NGO Working Group securing the passage of the relevant Congressional Legislative Mandate, the Executive Board was ready to deliver its collectively sanctioned goal in mid-2009. With the precisely defined nature of this goal and the existence of robust rule-enforcement processes at the Fund, the requirements stipulated by scope conditions two and three were also in place at this time. Following the delivery of a collectively sanctioned directive to staff to allow education and health expenditure to be maintained or increased through the period covered by concessional lending arrangements, social-spending targets were rapidly transformed from a minority to a near-universal feature of this aspect of IMF operations. While further research is required to more precisely define how contextual factors constrain and enable the capacity of policy-norm entrepreneurs to achieve operational change, further engagement between IPE and Public Policy literatures may prove fruitful in this endeavour.

Table 1: Social-Spending Target Insertions

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

Source: Author's content analysis of Letters of Intent

Table 2: Evaluating Programme Social-Spending Targets

Country	Indicative Target (% Total Spending)	Pre-Programme Level (% Total Spending)	Stable or Increasing Absolute Level	Stable or Increasing (Proportional)
Afghanistan*	18 (7.4)	28.5 (22.5)	x	x
Armenia***	31 (3.4)	20.8 (4.4)	✔	x
Benin	133 (17.9)	20.4 (3)	✔	✔
Burkina Faso***	275 (24.2)	24.4 (2)	✔	✔
Burundi	342 (33.5)	28.9 (3.9)	✔	✔
Comoros**	12 (26.7)	12 (40.7)	✔	x
Congo, Republic of**	455 (35.7)	14.1 (1.1)	✔	✔
Côte d'Ivoire	840 (33.6)	No data	-	-
Ghana	2 (18.1)	15.8 (263.3)	x	x
Guinea-Bissau	16 (18.6)	No data	-	-
Haiti	10 (14.5)	No data	-	-
Honduras***	3 (3.7)	38.8 (82.2)	x	x
Kenya***	26 (3.4)	32 (8.8)	x	x
Krygyz Republic**	3 (3.8)	31 (35.2)	x	x
Lesotho	0.2 (2.2)	42.1 (452.7)	x	x
Liberia	0.1 (15)	1 (500)	x	x
Mali	235 (24.2)	27.3 (3.6)	✔	✔
Mali	252 (21.7)	29.6 (3.1)	✔	✔
Mauritania*	107 (37.8)	16.8 (8.1)	✔	✔
Moldova*	9 (31)	32.9 (129)	x	x
Niger	211 (36.1)	30.4 (6.4)	✔	✔
Sierra Leone	417 (20.1)	19.9 (1.6)	✔	✔
Yemen***	631 (30.2)	16.8 (1.2)	✔	✔
Zambia	3938 (22.4)	20.7 (0.2)	✔	✔

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.

Annex I

Identifier	**Interviewee Position**	**Date**
Interview A	Independent Evaluation Office, Director	November 4th, 2008
Interview B	External Relations Department, Senior Economist	November 11th, 2008
Interview C	IMF Executive Director, developing-country constituency (with Advisors)	November 13th, 2008
Interview D	IMF Alternate Executive Director, developing-country constituency (with Advisors)	November 13th, 2008
Interview E	IMF Executive Director, advanced-industrialised economy (retired at time of interview)	November 14th, 2008
Interview F	Strategy, Policy, and Review Department, Low-Income Country Division, Senior Manager	November 21st, 2008
Interview G	IMF Executive Director and Alternate Executive Director, advanced-industrialised economy	December 10th, 2008
Interview H	Fiscal Affairs Department, Expenditure Policy Division, Senior Manager	September 16th, 2011
Interview I	Washington-based NGO, Director	July 9th, 2012
Interview J	Strategy, Policy, and Review Department, Low-Income Country Division, Senior Manager (recent Mission Chief)	July 10th, 2012
Interview K	Strategy, Policy, and Review Department, Senior Manager	July 10th, 2012
Interview L	Fiscal Affairs Department, Economist	July 11th, 2012
Interview M	Africa Department, Desk Economist	E-mail correspondence
Interview N	Africa Department, Desk Economist	E-mail correspondence

[i] Constructivist IPE works variously employ 'norm entrepreneur', 'policy-norm advocate', and 'policy-norm entrepreneur'. When reviewing the extant literature I employ the term favoured by the analyst, and take the labels to be interchangeable. In the paper I use the 'policy-norm entrepreneur' label when referring to the NGO Working Group. This version brings together the dominant use in the Public Policy literature ('policy entrepreneur') with Park and Vetterlein's (2010) favoured variation ('policy-norm advocate), thereby reflecting the conceptual engagement of the paper.
[ii] See Broome (2013: 196-7) for a review of the various branches of Constructivist IPE.
[iii] Bureaucratic culture is defined by Weaver (2008: 37) as the 'set of "basic assumptions" that affect how organisational actors interpret their environment, select and process information, and make decisions so as to maintain a consistent view of the world and the organisation's role in it'.
[iv] Interview H. In addition to utilising informal personal contacts between themselves and staff within Executive Directorates, FAD staff also promoted this idea externally (e.g. IMF 1997c).
[v] Unambiguous support was presented by the French (IMF 2003: 75), Japanese (IMF 2003: 84), and UK (IMF 2003: 72) Directors, while the German included that caveat that such protection be included providing it did not contradict ongoing efforts to streamline conditionality (IMF 2003: 128-9).
[vi] 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.
[vii] For a review of this cycle, see Sembene (2007).

[viii] These groups were: Health Gap, Results, Jubilee USA Network, Centre for Economic Policy Research, New Rules for Global Finance, Africa Action Essential Action, Gender Action, United Methodist General Board of Church and Society, AFL-CIO, Health Alliance International, and Maryknoll Office for Global Concerns.

[ix] The Working Group had three core aims: first, to use IMF lending resources for stimulus, and to avoid restrictions on education and health spending; second, to require that legislatures in borrowing countries approve loan arrangements, and; third, to enhance IMF transparency. These goals appear in this order in the 'NGO Working Group on the IMF: Reform Proposals' memo, which was shared with the author by a member of the Working Group.

[x] Email communication from the NGO Working Group lobbyist to members of the Senate Committee on Appropriations, which was shared with the author by a member of the Working Group.

[xi] This proposed text reads: 'The Secretary of the Treasury shall instruct the United States Executive Director at the International Monetary Fund to oppose any loan, project, memorandum, instrument, plan, or other program of the International Monetary Fund that does not exempt increased government spending on health care or education from national budget caps or restraints, hiring or wage bill ceilings, or other limits sought by the international financial institution'. The Proposed Legislative Language was shared with the author by a member of the Working Group.

[xii] I have paraphrased the sense of the interpretation articulated by these interviewees. As is explored above, the central role of these rule-making and enforcement processes does not imply that logic of consequence-based causal pathways (generally held within the PA literature) have 'out competed' logic of appropriateness-based pathways.

[xiii] 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.

[xiv] See IMF Official Website, available at http://www.imf.org/external/np/exr/facts/ecf.htm. Accessed 04/02/12.

[xv] 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.