

## ***Norm Setting or Following: The World Bank and the IMF in Comparison***

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*In the study of IR, international organizations (IOs) have become increasingly important over the last decade. While for a long time they were either treated as agents of their principals or as an independent variable that influences development discourse and policies in developing countries, recent studies have tried to open the 'black box' IO. Such approaches address both shortcomings: On the one hand, drawing on organizational sociology, they analyze internal organizational processes in order to answer the question how IOs produce, reproduce, and transform norms that in turn shape their policies. On the other hand, they ascribe authority and autonomy to IOs. Concerning policy change of IOs, they often focus on internal norm entrepreneurs that actively and strategically try to influence the organization's discourse and operational reality. Mostly, the World Bank serves as their case in question. Contrary to them, I argue that the World Bank might depict just one, maybe a special, case among different IOs. In this context, I would like to argue for a typology of IOs captured under the concept of organizational personality. According to an organization's personality different mechanisms of policy change are at stake that allow the organization to be more or less active in taking on and processing new ideas, setting agendas and new policies, and consequently, creating new policy norms. Thus, while in the Bank norm entrepreneurs might be successful this could be different in other IOs such as the IMF. Yet, change has taken place in the IMF, implying that there are other triggers at work. This argument of active and passive norm promotion is presented by comparing the evolution of the social dimension in the Bank's and the Fund's policies over the last 30 years.*

## ***1. Introduction***

International organizations are perceived as decisively shaping international norms such as human rights, environmental or labour standards or development. In the case of the World Bank and the IMF this is even more so the case since through their technical advice and policy conditions they attach to their loans they not only impact the overall discourse on development and how to achieve economic growth and poverty reduction but do have a ‘real’ effect on countries’ policies. This refers to what Barnett and Finnemore (2004) call the regulative and constitutive power of IOs. IOs are seen as embodying certain norms and “teaching” them to nation states (ibid.). The question which has been neglected however<sup>1</sup> is where do these norms come from? How do they emerge, transform and fade away?

Put like this, we are tempted to ask whether IOs merely adapt to their normative environment or whether they are actively creating and setting norms? Recent studies, both inspired by Principal-Agent (P-A) models and by organizational sociology, inform us that IOs do not necessarily do what their principals want them to do and are rather active in initiating new policies (e.g. Nielson and Tierney 2005, 2003, Gutner 2005 for P-A analyses and Park 2007, Weaver 2007, Barnett and Finnemore 2004, 1999, Babb 2003, Martin 2003 for sociologically inspired analyses). It remains to be seen whether this is the case for all IOs or whether there are differences among them. By means of the development of the social dimension in IMF policies I argue that in this particular example we deal with a case of norm adaptation. This case will be contrasted with the evolution of social development issues in the World Bank in order to see whether the type of organization matters regarding an IO being a norm setter or follower. This comparison allows us to approach the issue on the aforementioned dimension and thus helps us to tackle the conditions under which IOs actively or passively create and promote policy norms. Here I argue that the organization’s personality constituted of formal rules and regulations and its culture plays a decisive role in whether or not an IO engages actively in promoting specific norms.

This paper will first outline how norms have been dealt with in IR and more specifically in IO research. Based on this brief overview of the literature I will argue that if we are interested in the emergence, change and decay of norms in the context of IOs and their meaning we have to assume a specific position on norms as being continuously contested, evolving through social practices that constitute their meaning and as being affected by the context in which they work (Barnett 1999). This will be applied in the following section that compares the empirical cases of the evolution of the social dimension in World Bank and IMF policies from the late 1970s until today. By the turn of the century, the IMF started to engage in poverty reduction and elevated it to one of its priority objectives.<sup>2</sup> Compared to the World Bank the Fund always lagged behind with taking poverty and social policies on board, thus suggesting that it is merely adjusting to this norm; and even more, the Bank also decisively influenced the Fund in this policy area. Using the Bank as a counterexample, the article will conclude by elaborating on the conditions under which IOs are norm setters or followers. Theoretically I argue that the original mandate of an IO, its organizational structure and autonomy and its staff mixture define what I call an organizational personality that can be either passive or active. Knowing about how IOs function differently based on their different personalities provides insights into how and why IOs foster certain norms which is a crucial component in understanding their impact on nation states.

## ***2. Norms in International Relations (IR): Social Practices and Contextualization***

Generally speaking, there are two different ways how norms are treated in IR: The structural perspective on norms on the one hand aims at explaining norm diffusion, impact and compliance with norms. Scholars who are more in line with an action theoretic approach on the other hand would emphasize the contestedness of norms and seek to understand how different norms emerge. This section aims at briefly discussing the basic assumptions of both schools of thought and relating

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<sup>1</sup> Exceptions are Park 2006 or Finnemore and Sikkink 1998.

<sup>2</sup> See <http://www.imf.org/external/np/prgf/2000/eng/key.htm>, visited January 28, 2007.

them to IOs. Most of the literature on IOs and norms has provided information on how IOs teach and diffuse norms (e.g. Risse et al. 1999, Finnemore 1996a, 1993). Recently, there is increasing interest in how norms emerge and change in IOs (Barnett and Finnemore 2004, Checkel 2002, Finnemore and Sikkink 1998). By pointing out the shortcomings of both approaches I argue that when studying the emergence, reproduction and transformation of international norms one has to take social practices and the context in which these processes take place into account. The context in which an IO acts and interacts is rather complex. The remainder of this section then outlines how I conceptualize norm emergence, transformation, transmission and decay in the context of IOs.

In accordance with sociology, norms are defined in IR literature as “describ[ing] collective expectations for the proper behaviour of actors with a given identity.” (Katzenstein 1996: 5) In that sense they are different from ideas or values as in being collectively or socially shared or intersubjective rather than held individually. Katzenstein continues and describes norms as “spontaneously evolving, as social practice; consciously promoted, as political strategies to further specific interests; deliberately negotiated, as a mechanism for conflict management; or as a combination, mixing these types.” (ibid: 21) While here the emergence of norms is mentioned usually norms have been treated as the independent variable channelling and regularizing state and non-state behaviour, limiting the range of choice and constraining action, and thus, producing social order and stability (Sunstein 1997, Katzenstein 1996). Norm implementation (Keck and Sikkink 1998, Sikkink 1993) or diffusion or the ways in which certain actors embody and teach norms (Finnemore 1993) have been problematized. Thus, the emphasis has been on how norms “regulate behaviour and constitute identities” (Risse 2000: 5) in their role as generally accepted, sanctioned prescriptions. Socialization and learning processes have consequently been important for norm compliance.

The role IOs play in this literature is as “norm diffusers or transmitters within the international realm” (Park 2006: 346). IOs teach states what to do and thus have a significant impact on domestic politics and policies. There is a vast amount of case studies that analyse how IOs impact and shape national policies in various ways and a variety of policy areas. These studies therefore reveal the structural aspect of norms at the expense of their relational impact. Norms are stabilisers but at the same time also flexible and constructed. Processes of norm contestation however have been neglected in this approach. As Finnemore and Sikkink (1998: 896) point out: “little theoretical work has focused on the process of ‘norm building’”. Where do norms come from? Who is influential in shaping norms, how and why? And why do certain norms evolve and others not? are the question asked when shifting perspective.

Problematizing norm emergence and contestation opens up the issue from a different angle allowing for potential conflicts to arise among norm setters and also among norm setters and followers. Therefore, the norm as such becomes the *explanandum*. Finnemore and Sikkink (1998) offer a general approach, the “norm life cycle”, with which it should be possible to study the emergence, change and decay of international norms in various settings. Other scholars who are dedicated to the ‘logic of arguing’ focus on processes of negotiation, bargaining, arguing and persuasion related to the validity of international norms (see Mueller 2004, Checkel 2002, Risse 2000). They have rediscovered the importance of communication, language, framing and discourse drawing from sociologists such as Habermas, Foucault and others. They do not treat norms as stable facts but question their origin and create space for the investigation of the legitimacy of norms. Of interest are then the processes in which norms achieve legitimacy, i.e. are shared by the majority of *relevant* actors. This is perceived to happen in deliberate trans- or supranational negotiations through communicative action where the ‘better’ argument convinces (Risse 2000, based on Habermas). While Finnemore and Sikkink (1998) do not stress international negotiations as the arena they also detect persuasion as the main mechanism of “norm entrepreneurs” in the first stage of a norm’s life cycle, i.e. norm emergence (ibid.: 898). Often however, IR literature focuses on the importance of “Great Men” (Seabrooke 2006) with visions or the international political elite and falls short of incorporating individuals into their theories. Ideas and visions of great men and women however have to resonate in order to spread widely and turn into policy norms.

In the IO literature specifically, little attention has been paid to where norms come from. Park (2006) provides an excellent overview of studies that engage with norms in IOs and do not only treat them as norm diffusers. From a detailed discussion of various conducted case studies (UNESCO, World Bank, OSCE, NATO, the EU, the CoE) she observes that “[t]he most elaborate argument posited by Finnemore is that norms emerge within IOs and the international community, or that they may come from individuals<sup>3</sup> before joining the IO.” (Park 2006: 358) However, this is not sufficient in two respects: Firstly, as mentioned above, it does not tell us anything about the processes and mechanisms at work. *How* do these norms emerge internally and gain legitimacy? Are there other individuals involved rather than “Great Men”? Secondly, there are more specific questions to be asked such as why do IOs champion certain norms but not others. Are IOs rather adapting to their normative environment or do they promote norms actively? In general, the question is: Under what conditions do norms evolve in IOs? Park’s (ibid.) main arguments are that the identity of an IO and socialization processes of IOs by other collective actors in the international sphere (in particular NGOs and transnational advocacy networks (TANs)) offer insights into which norms IOs espouse and are therefore vantage points for exploring norm diffusion by IOs.

On a more abstract level, what Park argues for are two points: First, to consider the specific context in which norms emerge or change. Yet, the environment of IOs is much wider than only NGOs or TANs. It might also include the situation in client countries for example where conflicts are possible while transmitting norms, an aspect the norm literature in IR has neglected so far. The life cycle of a norm does not end with its internalisation but norms are constantly contested (see Wiener 2007 and other contributions of the 2007 special issue of CEP). Second, social practices that constitute the meaning of norms are crucial which in the case of IOs refer to their organizational structure, culture and identity, and people. Related to that point is another shortcoming of the norm literature in IR: it remains at the macro level, that is to say collective actors (often states) negotiate and agree on specific norms in international elite negotiations (see Risse 2000 for an example). Agency, in terms of actors, is eliminated from the process of norm origin or merely acknowledged in terms of leadership. I argue for the incorporation of the micro level into the analysis of norms that shape world politics. This is to say that staff or organization-internal actors are important when it comes to norm emergences in IOs. These actors translate external pressure, constraints and institutional incentives into organizational action and decision-making. Combining these two aspects means linking the material and normative context of IOs with their organizational practices.

In sum, if we are interested in questions beyond which norms IOs diffuse and how, we have to acknowledge that social practices and context matter and have to be included in the analysis and conceptual framework of the study of norms in IOs. Instead of reducing complexity by singling out a few explanatory variables such as the impact of member states in IOs’ decision-making or leadership such an approach will at first open up our analysis to a great extent by tracing processes of combinations of various influential factors in specific contexts. That does not mean that we are only able to derive single case studies. I suggest to compare cases which will allow us to derive specific mechanisms based on *types* of IO behaviour that apply beyond specific situations. This is in line with Weber’s method of ideal types (Weber 1973). Such types are abstractions of thick descriptions that, by comparison, highlight variation among cases. An organizational personality refers to different types of organizations. Based on each type there will be different ways in which an IO processes external events and, at the same time, presents itself and is perceived and approached by its outside world. The following section introduces the reader to the concept of organizational personality.<sup>4</sup>

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<sup>3</sup> How leadership matters in IO’s behaviour is discussed in other studies as well (Mallaby 2004). The example in Park (2006) is McNamara who decisively changed the World Bank’s identity towards a development agency when assuming position of Bank president in 1968.

<sup>4</sup> The concept of personality in relation to states was first used by Otto Gierke (1958: 50ff.).

### 3. *The Concept of Organizational Personality*

How do we account for context and social practices in the analysis of norm emergence in IOs? IO action is not merely subject to member states' interests and the distribution of power among them. Barnett and Finnemore (2004) derive four sources of IOs' authority: rational-legal, moral, expertise and delegation (ibid.: 20ff.). An IO's authority then determines its autonomy and eventually its power. Power in turn is exercised by IOs in two ways, regulative and constitutive (ibid.). This perspective on IOs leads them to a different way of theorizing IOs as actors that are embedded in and influenced by their environment, yet have their own (internal) material and normative conditions which they call bureaucratic structure. In other words, while acknowledging that an IO's environment, which not only consists of member states<sup>5</sup>, impacts IO action at the same time they stress an IO's culture, identity and autonomy to, in turn, shape its environment. They are particularly interested in how this organizational culture shapes the way in which staff see the world, define policy problems and find solutions for them, i.e. social practices. Since I argued above that context and social practices are important factors investigating norm emergence in IOs I am following these conceptual considerations.

The Bank's and the Fund's normative and material environment points first and foremost to their Executive Boards in which member states' representatives decide upon all operations as well as policies, organizational reforms and future agendas of the organization. Voting power is distributed according to the financial contribution every country pledges and therefore one might assume that the US with the highest voting power (16.83%<sup>6</sup> for the Fund and 16.41%<sup>7</sup> for the Bank) also exerts the most power over the organization. While this might be partly true<sup>8</sup> there are other factors at play that need to be taken into account. At first, powerful developing countries such as India, China or Russia might be able to exert their will in negotiations. After all, both organizations exist because they are lending money to countries. In times of increasing availability of resources from other sources such as private investors or other aid agencies pressure to lend applies to them (Weaver 2007, forthcoming). Related to this material context, both IOs do not exist in a political vacuum. Rather to the contrary. New and changing perceptions of development brought to the organization by other IOs such as the UN but also by NGOs make up the Fund's and the Bank's normative environment. Since the early 1990s, the UN has been arguing for a *human* development strategy that not only focuses on economic policies. Furthermore, policy failure most visible in huge financial crises such as the East Asian crisis have not only led to fierce critique on development policies promoted by both organizations but also to a search for new economic models and therefore to changing knowledge in the subject area of economics. Economists such as Armatya Sen or Joseph E. Stiglitz have had a significant voice in the area of economic development. This context in turn then meets the organizational context or internal conditions of the organization where staff make sense of it and assign meaning.

At their foundations, organizations are set up and equipped with certain features which are subject to change over time since an organization is not a stable entity but is interpreted and shaped by its environment and staff. These features are its original mandate, rules, regulations and operational procedures, an organizational structure of specific units and departments that deal with specific issues and a certain hierarchy established among these units and staff. In the case of *international* organizations a very important factor of these features refer to the role of the members of the organization which determine the degree of the organization's autonomy. P-A models inform us about the ways in which staff and management are able to 'deceive' their principals (Tierney and Nielson 2005, 2003, Gutner 2004). In addition and related to these formal rules and structure of the organization, informal regulations emerge in the daily interaction of staff. As research has shown, the professional background of staff themselves decisively shapes the organizational context

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<sup>5</sup> "IOs thus have complicated relationships of both autonomy and dependence with a variety of other actors, including states." (Barnett and Finnemore 2004: 11)

<sup>6</sup> See <http://www.imf.org/external/np/sec/memdir/members.htm#u>, visited February 19, 2007.

<sup>7</sup> See <http://go.worldbank.org/W01PGBIFM0>.

<sup>8</sup> As Weaver (2007, forthcoming) however argues powerfully for the World Bank, it is not always true that the US can exert their interests.

(Bebbington et al. 2006, 2004, Kanbur 2001, Miller-Adams 1999). This is what in the organizational sociology literature is referred to as organizational culture. There are excellent analyses pointing out the importance of organization-cultural aspects in policy change and normative shaping (in addition to the above, see Park 2007/forthcoming, Babb 2003, Leiteritz, 2005, Weaver and Leiteritz 2005, Martin 2003). Yet by asking the ‘wrong’ question (1) and choosing an inappropriate method (2) I would argue that they miss the point of deriving the conditions for IO action. The question is not whether it is interests or ideas that cause specific action but what is the configuration of factors and events that lead IOs to behave the way they do. From such an analysis we might be able to derive patterns and types of behaviour. In order to do that single case studies are not sufficient.

The starting point of most of these IO analyses which are inspired by organizational sociology is an attempt to argue against neoliberal and rational choice.<sup>9</sup> In the context of the development of IO literature this is understandable. These analyses ceased with the way in which IOs were theorized previously as agents of their member states where the most powerful principals would exert their interests. They opened the ‘black box’ IO, assigned agency to them and drew attention to organization-internal factors. However, by raising questions within the ideas-interest or structure-agency debate empirical work was misled. Apart from the fact that the distinction between structure and agency is an artificial one and this is an idle debate in IR, studies usually picked one IO and tried to prove that “culture” or “ideas matter”. But what about cases such as the IMF’s idea of establishing the so-called SDRM which was overruled by the Executive Board in 2004? Do organization-internal ideas matter less in the IMF? How can that be compared with Leiteritz’s study on capital account liberalization (Leiteritz 2005)? Is the World Bank a special case? In other words, by trying to prove their argument a large number of case studies was produced of either specific IOs or specific policy fields with an emphasis on organizational culture as explanatory variable. While they have enormous value in terms of empirical material they provide they might not help us theoretically. Comparing processes and practices of policy norm setting in different policy areas in the same organization (see Miller-Adams 1999 for the World Bank) or in one policy area in different organizations would allow us to derive configurations of conditions for change to happen. We might be able to detect mechanisms that operate differently according to the specific context which would allow us to develop a typology of organizational behaviour (Weber 1973). I call these types organizational personalities. This concept will be explained now in more detail.

As we know with the recent IR literature on IOs organizations are not just technical instruments mobilizing and directing human energies towards a particular objective. This initial formal system of rules and goals, which sets out tasks, power and procedures according to an officially approved rational pattern, is given life and meaning by two organizational experiences: first, its relationship with its outside world. These social settings of organizational activity go beyond public relations, and thus, self-maintenance. As soon as an organization starts to be aware of its external dependence it changes its perception of itself leading to changes in its policies, recruitment strategies or organizational structures. Secondly, an organization also has an internal social world which is made up of individuals. The formal structure never really accounts for what staff are doing. There is an informal structure which develops through staff bringing their own interests and values to the organization that do not need to overlap with the organization’s goals. An organizational chart provides the framework and formal rules and regulations determine roles and activities but not people and social relations. As in any other group social relations will, over time, lead to the development of institutional values, internal interest conflicts and a fixed way of perceiving itself and the world. These developments have a unifying effect: group values are formed that determine the organization’s objectives and norms, and eventually, its identity. In other words, in a process of balancing and responding to internal and external pressures these responses institutionalise into patterns. The better such a social structure is developed the greater group integrity is and the stronger the organization appears to its outside world. The description of the World Bank as the Mexican and the IMF as the Prussian army is a good example for these institutionalisation

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<sup>9</sup> For an attempt to combine both, see Nielson/Tierney/Weaver 2003b.

processes.<sup>10</sup> This is what is meant with an organizational personality: a social structure or patterns of behaviour that determine the organization's internal functioning and its relationship with the outside world in both directions. An organization can therefore be more active than passive in terms of initiating new policies and shaping policy norms, more open to its outside world rather than closed, more or less efficient in policy implementation and so on. The remainder of this section applies this concept to the Bank and the Fund.

Four organizational characteristics define the personality of an organization. They differ across organizations and have far-reaching consequences in terms of how the organization is perceived by and deals with its outside world in the balancing act between external pressure and internal forces. I am now going to describe the Bank's and the Fund's personality based on these organizational characteristics: (1) The first characteristic is the organizational mandate which sets out an organization's aims and objectives. The organizational mandate established at the foundation of the organization serves the aim to achieve some mutually agreed, identifiable, and publicly stated ends (see for instance Babb 2003 or Miller-Adam 1999). The organizational goal is more important than it might seem at a first glance. The choice to pursue one objective over another determines the organization's belief system, i.e. the way the organization interprets its environment, and provides the values according to which the organization will act. The establishment of a specific goal has implications for the way situations or phenomena will be defined, it provides explanations for the problems that are perceived within this frame, and thus finally offers specific policy solutions to the problem. In addition to the definition capacity, which is provided by the chosen belief system, it also influences the mere functioning of organizations in terms of recruiting staff with specific skills and knowledge.

Furthermore, what is important in terms of the organization's capability to set norms is the clarity in which objectives are stated. The more precise and defined the stated goal and the more technical and specialized an organization the less leeway will there be for internal forces and debates about policies. Technical criteria and arguments will prevail the policy-making process. On the contrary, less limited and more flexible objectives allow for more leeway including actively initiating new policy norms. Compared to the Bank the Fund has a clearly defined mandate. Its goals are to deal with countries' balance of payments problems and provide macroeconomic stability in order to reach economic growth.<sup>11</sup> This is a relatively precise objective and leaves less leverage for redefinition as opposed to the World Bank's mandate which includes 'development'<sup>12</sup>, a very vague or, at best, broad objective that can be and has been interpreted in many ways. Furthermore, the Fund's mandate is purely economic which has consequences for its behaviour as well as its outside appearance. The Fund treats its policies as technical interventions based on abstract economic models. This in turn often leads to misunderstandings with the outside world due to lack of comprehension of these models. The Bank on the other hand is active in redefining 'development' and 'selling' various new policies under its label.

(2) A second characteristic of an organization is its formal set up. An organization chart provides information about the different units and departments of an organization, how they are connected with each other and different degrees of hierarchy amongst them. Tasks are allocated to these different units, authority is delegated and formal channels of communication are established. Finally, decision-making processes and other formal procedures are defined. As I have argued before, informal relations that develop over time accompany this formal structure. As known from organization theories and recently adopted by P-A models in IR, the way in which an organization is set up impacts formally on its efficiency and functioning, also in an informal way. In contrast to the Bank, the Fund is a relatively small and centralized organization with clearly established hierarchies among different units as well as staff. This leads to a high level of control within the

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<sup>10</sup> Interview at the IMF on April 8, 2004.

<sup>11</sup> See <http://www.imf.org/external/pubs/ft/aa/aa01.htm>, visited February 19, 2007.

<sup>12</sup> See <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20049557~menuPK:63000601~pagePK:34542~piPK:36600~theSitePK:29708,00.html>, visited February 19, 2007.

organization; it is structured and efficient, focusing on delivery. It also leads to a working atmosphere of trust and security: since staff's action, their careers and promotion, depend on formal procedures and hierarchy staff are loyal and collegial. Additionally, staff are likely to be conformist preferring status quo situations since other behaviour will not be rewarded. These characteristics make it less likely that the Fund is an active organization that is keen on promoting new policies.

As opposed to the Fund, the Bank is more than three times bigger than the Fund with regard to the number of staff (more than 10,000 compared to approximately 3,000). This factor alone might make the organization less controllable. But more important is its formal set up. It is less formal and hierarchical than the Fund and more flexible. For instance, almost every new president to the Bank initiates an organizational reform when he assumes position.<sup>13</sup> New units are created, renamed and restructured and staff with different professional backgrounds are hired. The latest reform took place under Wolfensohn in 1996. When he entered the Bank he established a so-called matrix structure. That means that regional units and functional departments (or networks) are cross-linked. Special experts in the environment for instance are asked to feed into regional and country work. In addition, he gave much more decision-making power to country directors (Davis 2004, various interviews conducted in March 2004). These reforms had two consequences: first, it complicated internal structures and decreased centralization and control. Second, it changed the internal balance of power towards country directors. By doing this it enhanced internal competition for policy agendas. For example, if you are a gender specialist and want to enhance the gender agenda in the Bank, either for political reasons or in order to enhance or maintain your position in the organization, you should lobby various country directors and make them aware of the relevance of this policy issue in their respective country. Apart from less control and decentralization, and hence, declining organizational efficiency, this reform is likely to increase staff initiatives of promoting policies and attempts to shape normative debates.

(3) An organization's staff is a third important characteristic that builds its personality. In general, an organization consists of individuals that, as organization theory suggests (Simon 1965), bring their own ideas and interests to it. They might become very committed to the organization and its goals or particular departments within it. In this context fit recent analyses about the significance of IO staff's professional backgrounds. Kanbur (2001) describes for the World Bank that internal debates between economists and other social scientists take place based on their different mind-sets and approaches to development. Bebbington et al (2006) depicts various strategies of so-called 'internal advocates' as well as their consequences (see also Kardam 1993, Davis 2004, Vetterlein 2007, forthcoming). From these studies can be concluded that staff's profession might influence the way an organization relates to its environment. Furthermore, mixed staff enhances the likelihood of internal debates on policies. A more politicised organization will also be more likely to actively partake in shaping normative discussions.

A look at our two organizations makes clear, the Fund is very homogenous and made up of macroeconomists and financial experts. Consequently, there is less discussion or questioning of certain policies. Combined with staff's conformist attitude there is a low degree of activism in the organization. This is not to say that all Fund economists agree on how to achieve its goals, i.e. macroeconomic stability and economic growth. However, the Bank's case of having sociologists, civil engineers and anthropologists work together on a project the likelihood of a debate is much higher and therefore bottom-up changes initiated by staff are more likely. Finally, the low degree of staff mixture together with the Fund's technical approach let it appear arrogant (or austere) at times. It carries a complex and inaccessible organizational language, is rather closed and secretive and cautious of its environment. It is more talking to its outside world than listening. The Bank, on the other hand, employs a variety of professions. Increasingly, as a response to external pressure, *social* scientists are hired as well as representatives of NGOs (see Vetterlein 2007/forthcoming and Davis

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<sup>13</sup> See Bank's Chronology online: [http://siteresources.worldbank.org/EXTARCHIVES/Resources/WB\\_Historical\\_Chronology\\_1944\\_2005.pdf](http://siteresources.worldbank.org/EXTARCHIVES/Resources/WB_Historical_Chronology_1944_2005.pdf) (last visited 2 May 2007).

2004). This has tremendous consequences for internal change as well as internal-external relations which in turn shape its personality. The Bank is a less rigid or institutionalized organization with an open ear to its outside world.

(4) A final characteristic that applies to international or inter-governmental organizations is its autonomy from its members. The Fund fully depends on its member states in terms of its finances. That leaves little to no scope for independent decisions with regard to staff hiring or shaping the organization’s research agenda. In other words, the Executive Board not only decides upon the use of Fund resources and general policy initiatives but also about organizational matters, future research and the like. Combined with the hierarchical nature of the IMF and its clear structure, the Board plays a very powerful role in the IMF. This is less so for the World Bank which is allowed to use parts of its resources to gain profits from capital investment which is in turn used to finance new people to be hired or research in new policy agendas.<sup>14</sup>

In sum (see table 1 for a compact summary), these characteristics turn the Fund into an organization that is a closed entity focusing on a few objectives and is rigid/inflexible towards any changes brought to it from the outside world. But if change is decided upon internally and approved by the Board, it is very efficient in its implementation. We could therefore assume that the IMF has a passive personality when it comes to developing new norms but is better in teaching them. The Bank on the other hand is comparatively open and flexible, listening to critique and trying to respond to it. Many policy initiatives have their origin within the organization. Staff write proposals and lobby management and Board. It is therefore rather actively shaping normative policy agendas.

<b>WORLD BANK</b>		<b>IMF</b>
Flexible, fuzzy	Mandate	Precise, technical
Decentralized, huge, informal	Internal Structure	Centralized, small, hierarchical
Partly financially dependent	External Dependence/Autonomy	Fully financially dependent
Heterogenous ↓	Staff	Homogenous ↓
<b>Actively setting norms</b>  <b>Bottom-up mechanisms of change</b>	<b>CONSEQUENCES</b>	<b>Passively adapting to norms</b>  <b>Top-down mechanisms of change</b>

*Table 1: The Organizational Personality of the Bank and the Fund*

With these considerations in mind, we will now analyse the way in which the World Bank and the IMF arrived at espousing a new policy norm that is emphasising the importance of social policies for economic growth.

**4. Social Practices and Contextualization: The Evolution of the ‘Social’ in Bank and Fund Policies**

The policy norm in the context of this paper refers to the role social policy has played in the overall development strategy. Within the development community the definition of development and consequently the policies applied have been changing over the past decades from human development in the 1970s, to economic development during the 1980s, social and sustainable development in the 1990s and finally poverty reduction at the turn of the century (Elson 1997). The

<sup>14</sup> As one of the best examples to illustrate this point, see McNamara who made extensively use of this opportunity.

perception of how to achieve economic growth and poverty reduction, the two main aims of development, has been changing and so has the role of social policy which is closely tied into this growth-poverty nexus. Once at the core of the development strategy in the late 1970s, social policies seemed to be forgotten over the course of the 1980s. In the beginning of the 1990s social policies then transformed into facilitators of economic growth in order to reduce poverty, before finally returning to become the core of development today. In general, both the Bank and the Fund follow this overall trend with some variation. Based on a document analysis I argue that the organizations' discourse on the social dimension of development from the late 1970s until today can be delineated into three periods.<sup>15</sup> Within each period the organizations' understanding of what social (development) policy is, is reflected in different problem definitions and underlying assumptions, and hence, different policy responses.

Social issues never really disappeared from the World Bank's policy agenda. Yet, during the 1980s there was an emphasis on *social costs* of adjustment rather than an active social policy agenda. The main assumption was that economic growth will "trickle down" and eventually lead to poverty reduction. Apart from some compensatory measures no further social policies would be necessary. The second period throughout the 1990s is characterised by social policies, in particular health and education, that can be seen as investments in social capital and therefore conducive to economic growth. In other words, the main underlying hypothesis that economic growth is the only means to achieve poverty reduction had not changed. By the mid-1990s however, this perception turned around and poverty reduction and therefore the implementation of social policies is assumed to be a precondition of economic growth. The development strategy thus aims at an integration of social and economic policies. The Fund went through a similar shift in perspectives overall but with some qualitative differences and also always lagging behind the Bank. Again, I distinguish three different periods when the meaning of the social took on different connotations. In the 1980s, social issues appeared in the Fund's discourse only through the '*realization* of income distribution' of SALs. Whether the Fund should get involved in these issues was discussed very controversially at the time. Eventually, debates about compensatory measures and social spending took place in the late 1980s which then led to the second period in the early 1990s characterized by the Fund adopting social safety nets as a new policy norm. In 1999 the Fund officially subscribed to the development objective of 'poverty reduction' by joining the *Poverty Reduction Strategy* policy initiated by the World Bank. It was the first time that poverty reduction appeared on its website as one of its priority objectives. While still emphasizing the importance of economic growth as its main objective it acknowledges that social and economic policies have to be pursued simultaneously. This is a decisive shift from its former position where social policies were perceived as being detrimental to economic growth.

One could argue that both organizations merely adopt to their normative environment. But as argued above, they also decisively shape it. Of interest is whether they have been actively promoting this policy norm over time or not. Taking the theoretical considerations above into account, the following section will trace the processes and mechanisms of policy change with a focus on the detected turning points. Particular emphasis is paid to the micro level processes (or social practices) and the material and normative context in which this norm has developed. By comparing the IMF with the World Bank the aim is to detect mechanisms of change or combinations of certain conditions under which each organization is adopting and/or promoting a new policy norm. Both organizations are embedded in a similar environment, facing similar critique. While their responses seem not so different either the empirical analysis reveals that mechanisms and triggers of normative change are different. From this I conclude that the Bank and the Fund belong to different types of organizations.

### *The International Monetary Fund*

How can we explain these normative shifts? Developments in the late 1970s and early 1980s seem to be mainly driven by the Fund's material and normative environment. The world economy in the

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<sup>15</sup> For more detail, see Vetterlein 2006.

1970s cannot be called a success story. Starting in 1971 with the end of the gold standard and, in 1973, continuing with the first oil crisis and the collapse of the Bretton Woods system, the decade closed with the second oil crisis in 1979. The world economy had been in a situation of stagflation characterized by low productivity growth, high inflation, unemployment, and economic imbalances. This led to a significant increase in borrowing by developing countries. The Fund's response to the first oil crisis was to increase facilities with low conditions. After the second crisis adjustment programs were introduced with high conditionality. However, conditionality did not seem to work. External critique against Fund stabilization programs was mounting, concluding that they were not achieving their objectives of balance of payments, growth, and less inflation (Killick 1991, 1984, 1982, Helleiner 1987, Bird 1982). In addition to this critique, the governments of developing countries were increasingly asking for loans without conditions or at the least 'soft' loans. Finally, critique claimed that in addition to the economic ineffectiveness of stabilization programs, they also have adverse social and political implications that need to be considered (Gerster 1982). This situation combined with increasing political protest *within* developing countries in the form of riots against conventional adjustment programs based exclusively on macroeconomic measures led the Fund to put more emphasis on the structural aspects of adjustment as well as its social implications.

Yet the type of knowledge required for dealing with social issues did not exist in the IMF since never before had it dealt with the identification of groups who are negatively affected by adjustment programs, nor had it ever carried out an assessment of the effects of its programs on the poor. Then managing director H. Johannes Witteven requested an internal study on how to incorporate a so-called *basic needs approach* into its adjustment programs. On the one hand, Witteven was concerned with the softening of the loan portfolio due to such an approach, while at the same time acknowledging that the distributional effects of Fund programs cannot be ignored (Boughton 2001). This was in line with developments in the World Bank at the time. In fact, Witteven indeed was concerned with the Bank's development in this direction and foresaw possible conflicts between the two organizations. Thus, he suggested research to be done by the Fund rather than to rely on the Bank (see Historian's files in IMF/RD, cited according to Boughton 2001: 696). A closer look at the historical accounts however reveals that the search for a *basic needs approach* was externally driven by the US (Gerster 1982). Different forces in the 95<sup>th</sup> US Congress, left and right-wing, driven by separate motivations were pushing for a basic needs approach and threatened the IMF to reduce its funding unless it changes its programs.<sup>16</sup> An agreement was achieved by amending the *Bretton Woods Agreement Act* and incorporating basic human needs and human rights. The main consequence was that the US representative to the Fund was supposed to push for human needs oriented development policies.

In the end, the basic needs approach was not proposed to the IMF Executive Board until the end of 1981. By then, presidential elections had taken place and the Carter Administration was replaced by the Reagan Administration. Thus, the US Executive Director in the IMF was replaced and the implementation of the basic needs policy did not take place. Within the US Administration, the debate was back to where it had started some years ago with the conviction that the most effective way in which the IMF can contribute to the alleviation of poverty is by restoring good conditions for economic growth. In the IMF, the idea of a basic needs approach was dropped and replaced by addressing the issue of adverse effects in an economic way by focusing on income distribution. Following Wittenven's request for internal research on the topic in 1977, two internal studies were published in 1980, one on income distribution (Johnson and Salop 1980) and the other on basic needs (Borpujari 1980). While the first one became widely regarded as the Fund's response to the problem the latter was neglected in the internal discourse. It was not cited in Fund's research papers and only marginally mentioned in its history (Boughton 2001). Interestingly, Borpujari (1980) developed a framework which incorporated financial constraints into a model in which development depends on the economic ability to provide for *basic needs*. But instead of linking such an approach with its conditionality, the Fund decided to focus on *income distribution*.

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<sup>16</sup> See debates in the House of Representatives and the Senate about US participation in the so-called *Witteven Facility* in 1977 and the increase of US quota in the Fund in 1978 (Gerster 1982: 503ff.).

In contrast to the World Bank which during the 1970s and early 1980s and under the presidency of Robert McNamara actively developed into an aid agency with focus on poverty alleviation, the Fund clearly lagged behind this new policy norm. While it is rather following external pressure, once confronted with claims from the outside it develops its own approach and thus decisively shapes policies. Instead of adopting the basic needs approach it opted for focusing on income distribution. That might not come as a surprise given its mandate and professional culture which was not geared at social issues. There was a significant lack of knowledge which took time to address. Translating *social* implications into an *economic* issue of income distribution was the consequence. In the mid-1980s, a seminar on income distributional effects of Fund-supported programs was held in the Fund's Executive Board based on three papers that developed a methodology for operationalizing the concept of income distribution in Fund programs (for published versions see Gupta and Nashashibi 1990, Heller et al. 1988, IMF 1986). Before designing policy measures to mitigate adverse effects of Fund programs for specific segments of society an approach how to define and measure poverty was required. Poverty typologies were developed and the poor were classified into groups. Yet all three papers point out the lack of data as an obstacle for a comprehensive and accurate assessment of adjustment programs' poverty impact. But instead of establishing this expertise in form of a unit on poverty impact analysis as well as trained staff in the organization the Board recommended close collaboration between the Fund and the Bank drawing on its data and expertise in the area of poverty. The Board's review of Fund conditionality also concluded that social issues should not be related to conditionality. In the end, the Fund's operational solution was an emphasis on technical advice regarding subsidies and government expenditure which eventually materialized in two new lending facilities, the structural adjustment facility (SAF) in 1986 followed by the enhanced structural adjustment facility (ESAF) in 1987.

What becomes obvious here is the strength that the Board exerts in the Fund in comparison to the Bank. The organization depends much more on formal procedures and on Board agreement for its activities. One of the main reasons for that is that the Fund lacks, contrary to its sister organization, the possibility to independently spend resources on activities that the organization considers as necessary. Due to the ability of the World Bank to invest part of its money on capital markets, it is also more autonomous in using gained resources for experimenting in different fields such as hiring special experts or financing specific units or research without Board approval (interview on March 11, 2004). McNamara took advantage of this special condition in the Bank during the 1970s and 80s and boosted the organization's lending volume as well as numbers of staff tremendously. This is not the case within the Fund. Thus, for poverty data and impact assessment, the Fund was supposed to rely on other IOs, especially the World Bank. It is less able to independently and actively search for new policies, turn ideas into practice and thus shape norms about development.

Despite the Board's cautious position regarding the Fund's activities in social issues, then managing director Michel Camdessus initiated seminars and workshops for Fund staff working on countries with adjustment programs in order to sensitize them for this problem and to address conceptual and practical questions. Furthermore, management adopted a directive to include poverty in Fund's work by preparing poverty profiles for each country, by addressing the problem in loan negotiations, and by examining whether the policy mix can be designed differently so as to decrease negative effects of the programs (see IMF 1990). Finally, in 1991, Camdessus directed staff to include an analysis of social costs in all Fund programs (Boughton 2001). Apart from these incremental changes nothing else had happened.

It was again through external triggers that the Fund adopted so-called social safety nets into its set of policy tools. In 1990 at the 39<sup>th</sup> meeting of the joint Bank-Fund Development Committee in 1990, the staff paper of both organizations prepared for this meeting concludes the following:

... the Fund will continue its efforts to [...] encourage member countries to improve the mix and sequencing of policies, so as to strengthen the positive effects of those policies on the poor, and to introduce [...] *social safety nets* where necessary ... (Development Committee 1990: 28, emphasis added).

Contrary to the World Bank where internal norm entrepreneurs combined with NGO pressure fostered the development of social policies the IMF depicts a different case. Social safety nets have been introduced to the Fund by the Development Committee and therefore from the outside, or more specifically, through discussions with the World Bank. In addition, Camdessus had been pushing for “high-quality growth” (see above) in 1990. He definitely had an impact in gearing the organization towards the integration of social and economic policies. However, as opposed to president in the World Bank who has leverage to change the organization significantly, the managing director of the Fund has less impact on the organization’s policies and structure. In other words, the new policy of social safety nets was again implemented through external developments to which the Fund adjusted.

This is not to say that the Fund did not start to look more closely at issues of social development and sustainable growth. Evidence for a debate about equity and sustainable growth among Fund economists is provided in the *Proceedings of the Headquarter’s Conference on Income Distribution and Sustainable Growth* which took place in 1995. This gathering was organized by the FDA as a forum to discuss policy issues on equity and growth, income distribution, poverty reduction and safety nets. It brought together a number of people from the academic world such as Alberto Alesina, Anne Krueger, Nancy Birdsall, Dani Rodrik, James Buchanan and from inside the Fund, people working on social issues like Michel Camdessus, Joseph Stiglitz, Vito Tanzi, Jack Boorman as well as others like Nicholas Stern (EBRD) and Lawrence Summers (US Treasury Department). That group covered a wide range of perspectives, even if only economic, on the topic of equity and growth which is aptly polarized in the opening remarks of the managing director Michel Camdessus:

There are two opposite views on the impact of income distribution on economic growth. According to the first view, policies aimed at reducing income inequality may affect growth adversely, both because redistributive transfers and taxes may create distortions and disincentives, and because high-income groups tend to save a larger portion of their income. According to the second view, by contrast, an excessively unequal income distribution may be detrimental to sustainable growth by hampering the efficient use of, and investment in, physical and human capital; by reducing public and private savings; and by eroding political and social cohesion. (IMF 1995c: 2)

This quote is remarkable since it seems to be the first time that another perspective about the relationship between redistribution and economic growth had been so openly discussed in the IMF. This is not to say that there might not have been discussions about poverty, equity and growth behind closed doors. But as the Fund’s culture works, it always presents itself with a clear-cut perspective leaving no doubt that this is what the Fund is doing; and until no consensus is reached, no word of contrary opinions will reach the outside world. There might have been controversial ideas, but in the end, conference participants abode to the Fund’s original mandate and agreed that the Fund should not get involved in social policies.

Nevertheless, the issue was still on the table. The successor of the 1995 conference on economic policy and equity in June 1998 focused on operational aspects in addressing equity. The discussion reflects the Fund’s search for a legitimate reason to engage in *social* activities. The accompanying paper, “Should equity be a goal in economic policy?” (IMF 1998b), concludes:

A consensus is forming nevertheless that governments should sometimes intervene to ensure not only that the size of the pie increases, but that everybody gets a fair share. (IMF 1998b: 11)

Since “... recent research suggests that inequality can hinder growth” (IMF 1998a: 18) the Fund’s engagement with inequality is a technical matter. It is then for economic growth but not for a “normative” reason such as equality that the Fund is allowed to intervene (interview on March 19, 2004). According to the Fund’s internal norms, economic growth is an apolitical and value-neutral goal.

The organization seemed to be in search for an appropriate approach to operationalize the growing external pressure and changing views on development with its own mandate and conviction that development is mainly about economic growth which is perceived as being merely a technical matter. The overall discourse on development was changing significantly since 1990. The UN proposed a human development approach based on Sen's ideas that development is primarily about human beings and not economies. In 1995, the World Summit on social development took place in Copenhagen where heads of states adopted the Copenhagen Declaration and a Program of Action stressing the objectives of poverty reduction, full employment and just and safe societies. In addition, NGO critique increasingly addressed the IMF (*Fifty Years is Enough*). Yet, the decisive shift in Fund's behaviour towards an emphasis on poverty reduction and economic growth only took place in 1999 with its participation in the PRSP program initiated by the World Bank. This happened against the backdrop of two independent events: the external review of the ESAF and the East Asian financial crisis.

In 1996, when critique was mounting against the Fund's structural adjustment programs and there were signs for internal debate about the Fund's position in development, the Executive Board asked for an external review of the ESAF. The final review revealed three main aspects of critique: First, there is a decisive lack of program ownership which has led to severe implementation problems in developing countries. Second, ESAF programs have not sufficiently focused on the protection of the poor. Third, one of the findings blurred the established division of labor between the international organizations. It concludes with the objectives to

... better focus ESAF by improving protections for the poor, by improving the cooperation with other international financial organizations and bilateral donors, and by strengthening "ownership". (Botchwey et al. 1998, part one: 4)

Not only was the main critique of too little country-ownership of programs plausible and easy to accept but it delivered a more palatable explanation about why Fund programs are not successful. Moreover, this evaluation was positively received because its convenor, Kwesi Botchwey, was a highly recognized economist (former Minister of Finance of Ghana), an important factor within the IMF. From the interviews it became clear that status, hierarchy and performance play an important role in the Fund. It is not only the case internally that different departments, careers and positions are attributed a certain ranking in the hierarchy,<sup>17</sup> but these internal standards also apply to the outside world.<sup>18</sup> The organization is rather hard to approach in terms of critique without being an economist, and even if an economist, one has to be a highly respected one to be taken seriously.<sup>19</sup> Thus, Botchwey's critique found more resonance than any NGO protest since it resonated with the Fund's organizational language. Furthermore, it hit the organization's vanity by revealing that its reputation is rather negative as an arrogant organization that is imposing its values and perceptions on developing countries.

The publication of the results of this review coincided with the outset of the East Asian financial crisis. In the beginning, the crisis was solely considered as *financial*. And as such, it revealed in a staggering way the Fund's inability or lack of knowledge to predict and deal with every kind of financial imbalance. This experience hit the organization tremendously in its self-esteem. It had to admit that its models do not work in an unlimited way. Later when the crisis was reframed as a

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<sup>17</sup> I was told about differences in the IMF's and Bank's group meetings or meetings with the governments of developing countries on missions. In the Bank there prevails a much more open and egalitarian climate while in the Fund it is (informally) clear who is allowed to speak.

<sup>18</sup> This, combined with its technical (economic) language, is one of the reasons that makes the organization look like it is being arrogant. And indeed, it is less approachable than the World Bank. Its world of highly skilled macroeconomists makes this organization look rather like a clique.

<sup>19</sup> There are other examples: Contrary to Stiglitz who lost his credibility after attacking the Fund in a too personal manner, Köhler was not esteemed very highly by the 'hard-core economists' for reasons of performance: "He has not published in any well-known economic journal." (interview on April 7, 2004)

social catastrophe<sup>20</sup>, critique mounted even more. Due to the crisis, Camdessus stressed the need for a social pillar within the international financial system (see Gupta et al. 2000). In general, due to this exogenous shock that caused a situation of uncertainty and perplexity, the ESAF review's effect was much higher and its critique met with fertile soil.

It was in the context of this situation, when the Fund agreed to participate in the PRSP initiative. With its participation, it addressed exactly the three points of critique made by the external ESAF review: Firstly, the PRSPs primary focus is on poverty reduction and the composition of social spending. Secondly, the Fund moved closer to the Bank with this joint initiative. Thirdly, the PRSP also tackled the ownership accuse. Participation in the PRSP initiative solved all of these problems for the Fund. A significant normative change however only took place with the renaming of its main lending facility to LICs from ESAF to *Poverty Reduction and Growth Facility* (PRGF). Masood Ahmed, an economist who worked for the Bank as Vice President of *Poverty Reduction and Economic Management* unit (PREM) and had designed the PRSP approach according to Wolfensohn's considerations on the *Comprehensive Development Framework* (CDF), was hired in the Fund as an expert on the PRSP and an insider of the Bank. Using the "back door approach" (interview on April 8, 2004), he not only managed to convince the Board to change the name of the lending facility. Following the renaming, he put a description of this new facility on the website mentioning poverty reduction as the *first* of the PRGF's seven key features (interview on April 8, 2004).<sup>21</sup>

Once the Fund became engaged in the PRSP, it triggered, for the first time, substantial organizational and operational changes in the social policy area: First, social issues were incorporated in conditionality guidelines for Fund resources (Gupta et al. 2000: 22). PRSPs are decisively different than Policy Framework Papers, their predecessors under SAF and ESAF. They state precise quantitative targets and performance criteria and aim at monitoring the budget allocation. These targets have been included in Fund conditionality as benchmarks. Secondly, such an approach also requires much more data, in particular social indicators and poverty measurements. Furthermore, with the introduction of the PRSP, the measure of social safety nets now requires an ex ante social impact analysis and monitoring. Therefore, in 2004, the Fund established its own unit on poverty and social impact analysis (PSIA) within FDA.<sup>22</sup> Finally, a few social scientists were hired in order to consult Fund economists on the social side of their missions to countries. While country teams usually only met with the respective governments, especially the Ministers of Finance, the participatory process implemented by the PRSP now requires round tables with all the relevant stakeholders of the development strategy in that country. In other words, members of the IMF's country team now also have to talk to NGOs and civil society which is, as one interviewee pointed out, a broadening experience for the staff (interview on March 29, 2004). Then managing director Horst Köhler proposed more non-economists in the organization by arguing that they were needed to consult economists in the social aspects of their work. But his proposal was defeated (interview on March 16, 2004). Moreover, it is not the Fund that finances these social scientists but the *Department for International Development* in the UK (DfID).

While things have changed, the Fund has not fully bought into the newly emerged meta-development norm that fosters a holistic approach to development emphasising social, political and cultural aspects at the same time as economic. The external financing of social scientists and Köhler's rejected proposal to hire more of them are evidence for internal barriers against this trend in the Fund's normative environment. Information from the interviews supports this assumption of a

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<sup>20</sup> In the beginning, the crisis was only considered in financial and economic terms. Only after social scientists from the World Bank referred to it as a social crisis, Wolfensohn initiated a press conference and the crisis was reframed as a social crisis, also within the Fund.

<sup>21</sup> Apparently without management or Board approval (interview on April 8, 2004).

<sup>22</sup> Like in 1977, when Witteven was concerned with Bank developments regarding a basic needs approach and thus called for a study in the Fund, one of my interviewees pointed out that the Fund did not want to rely on the Bank any longer for that kind of data because of the sister organization's "high inefficiency" (interview on March 26, 2004). However, the same debate in 1988 did not lead to a unit on impact analysis (see above).

controversy about the Fund's role regarding poverty reduction and social policies. On the one hand, there is a group including the newly hired social scientists that stands for policies that would clearly exceed the Fund's focus on economics and thus would broaden its horizon significantly.<sup>23</sup> On the other hand, exactly this struggle for a changing world view seems to mobilize the opposite group in the Fund that resists these developments by returning to the macroeconomic role of the IMF. This group points out, while acknowledging the importance of social issues, that "[i]n the family of international organizations, the social components of country programs are primarily the responsibility of the World Bank and other organizations, not the IMF." (Gupta et al. 2000: 1) A number of Directors in the Board cautioned "... that the IMF should not allow its primary mandate to be diluted. [...but should rather] ... contribut[e] to poverty reduction mainly through its support of economic policies that provide a conducive environment for sustained growth." (ibid.: 28)<sup>24</sup> This debate is captured by the newly emerging discussion about the Fund's role in LICs (see interview on March 18, 2004 as well as IMF 2003). The gist and public position so far is that the Fund needs to remain engaged in LICs with high concessional and long-term financial assistance under the principles of the PRSP, policy advice and technical assistance. However, it will focus on its core areas of competence, i.e. macroeconomic stabilization, complementing the work of other development agencies, in particular the World Bank. It remains to be seen which direction the Fund will go and how much influence the rather 'soft' economists in the Fund can exert. To quote one of my interviewees: "There is a battle going on. And we go external!", referring to a strategy applied by internal advocates in the Bank (interview on April 8, 2004).

<b>Time period</b>	<b>Development norm</b>	<b>Content/Normative claim</b>	<b>Social Policies/ Activities</b>	<b>Main Triggers</b>
1980s	Economic development	No social policies but acknowledgement of income distribution	Stabilization programs and technical advice  Compensatory measurements	World economy and political climate  US (to some extent)
1990s	High-quality/sustainable development	Social appears in form of SSN	SAF/ESAF  SSN  Poverty profiles for selected countries	UN, WB ⇒ change of external normative environment  Minimal leadership
2000s	Economic growth and poverty reduction	Good social conditions might enhance economic growth	PRGF  Social conditionality  PSIA unit and recruitment of social experts	Asian Financial Crisis  ESAF report  Minimal internal advocacy

*Table 2: The Fund's Changing Normative Understanding of Development*

### *The World Bank*

Is the World Bank changing in similar ways as the IMF? Or are there different mechanisms and triggers of change at work based on its different personality? Like in the IMF, developments in the early 1980s seemed to be externally driven. As we have seen, the political climate at that time shifted dramatically with the election of governments of leading economic countries that favoured neoliberal economic policies such as the US, the UK and Germany. These changes had

<sup>23</sup> See for instance Kende-Robb (2003) who tries to include a gender dimension in the Fund programs. A repeated story in the organizational memory of the Fund is about a strategic move of Fund staff from the African Department that invited Horst Köhler to a mission to Senegal shortly after he was appointed managing director in 2000. This mission must have been a crucial experience for Köhler and apparently shaped his attitude towards development and the Fund's role in a more social direction (several interviews). In general it is interesting to note that in both organizations it is mostly the staff from the African Departments that push for including social aspects.

<sup>24</sup> This is similar to the argumentation in 1981 (see Gerster 1982).

consequences for the Bank. New Bank president, Alden Clausen, gave the Bank a neoliberal drive upon entering office in 1981. These developments coincided with the economic deterioration of Latin America. Owing to economic instability during the 1970s and the Bank's consequent concerns with repayment prospects, the Bank sought new solutions to deal with countries' economic problems. Once brought into the debate, macroeconomic adjustment increasingly displaced the focus on social or human development from the Bank's agenda. One quote depicts the dominant perspective in the Bank at that time. Even before the Mexican debt crisis emerged, Ernest Stern, by then operations chief, made the following statement:

In times of economic crisis, as now, the automatic response of national planners is to reduce allocations to human development (including population) in favor of shorter term investments.<sup>25</sup>

When the Latin America debt crisis escalated, social issues disappeared from the Bank's agenda.<sup>26</sup> Unlike the Fund which had never dealt before with social issues and poverty, in the Bank attention turned to short-term objectives of economic stabilisation and policy reform rather than long-term development which was once fostered by McNamara.

Hence, at the beginning of the 1980s conditions outside the organization were conducive to neoliberal policies that mainly neglected the social dimension of development. Within the Bank's strategic and operational documents, references to social issues were scarce and poverty no longer appeared to be a major problem.<sup>27</sup> Nevertheless, the category of the 'social' had always been in Bank discourse, but now it connoted the *social costs* of adjustment. How was it possible that the Bank established the social costs of adjustment immediately after the introduction of SAL? There are two explanations: First, the Bank's mandate includes development<sup>28</sup> and thus the organization has always been concerned with poverty alleviation. Prior to structural adjustment, the Bank addressed long-term poverty through poverty-oriented lending in projects concerning productive employment; improvement of physical and human assets (health, education, nutrition); access to basic social needs; reform of government agencies; agriculture project; and urban development. It amounted to a substantial part of Bank lending other than adjustment lending (Kapur et al. 1997). Thus, expertise on social issues existed in the organization as opposed to the IMF.

But secondly and more important, these activities were reinforced by President McNamara who turned the Bank into a development agency. McNamara significantly extended the Bank's scope of intervention into new areas, including social development. He searched for an approach to combine economic growth and poverty reduction as reflected in the WDR 1980. He not only increased the lending volume of the Bank in social sectors (Kapur et al. 1997: 234) but also restructured the organization. The restructure enhanced the organizational power of the regional departments as opposed to the technical or project departments and therefore provided new possibilities for social and distributional lending. Furthermore, he established several new units working on social issues including the Rural Development Department (1972) and the Health Department (1979) (ibid.). Finally, he hired a first cohort of social scientists, in particular sociologists and anthropologists, in 1977 in order to create a special "pioneer division" headed by Leif Christofferson.<sup>29</sup> In the years to come, they became very important in fostering the Bank's social agenda.<sup>30</sup> McNamara thus laid out the foundation for the Bank's engagement with social policies throughout the 1980s which was only possible because the Bank is partly autonomous from its members with regard to capital investment. This is a significant difference to its sister organisation, the IMF, and makes the Bank more autonomous regarding the content of its policies. Money gained on the capital market can be used to hire new staff, restructure the organization and initiate research independently from the member

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<sup>25</sup> Memorandum, Ernest Stern to M. Syeduz-Zaman, May 17, 1982, cited in Kapur et al. 1997: 334.

<sup>26</sup> The Annual Reports stopped discussing poverty from 1983 until 1986.

<sup>27</sup> In 1985 only 1% of Bank reports mention 'poverty' in their title or abstract compared to 6% in 1980 and 12% in 1995; see Wade 1997.

<sup>28</sup> Article 1 (1), see above.

<sup>29</sup> Interview with M. Cernea, April 8, 2004.

<sup>30</sup> Interview with Michael Cernea, April 8, 2004.

states' will. It can thus be used to deliberately trigger internal pressure for change. When social issues fell out of favour in the beginning of the 1980s a group of internal advocates tried to stop this process.

While the social focus disappeared from the Bank's discourse in the beginning of the 1980s, it did not happen without internal resistance by staff hired in the 1970s by McNamara to implement his poverty agenda. One example is Mahbub ul Haq, the director of policy planning and program review since 1972 and known as "McNamara's unofficial poverty activist in the Bank" (Kapur et al. 1997: 241). It was at his prompting in 1981, that a task force under vice president Hollis Chenery (another of McNamara's recruits) was established to take stock of the Bank's activities related to poverty alleviation. The resulting report (World Bank 1982), emphasised the importance of economic growth, and downplayed the assumption that poverty alleviation comes with a negative trade-off for growth. It reaffirmed the Bank's poverty mission as well as made proposals on how to strengthen it. Despite powerful opposition, most notably from Ernest Stern, then Senior Vice President Operations, the report made it to a Board seminar where it received support from many directors (Kapur et al. 1997: 338). However, even though it was published and widely disseminated, its publication coincided with Mexico's debt default, and thus, did not halt the erosion of the Bank's social agenda.

Nevertheless, compared to the IMF, staff activity and resistance against these developments is remarkable and did not cease. Departmental units and staff in social areas remained from the McNamara period, and became increasingly embedded. All of the divisions established in the 1970s such as the Health Department or the Rural Development Department continued their work but without the previous high level of attention. Even the lending volume for the social sectors did not drop significantly.<sup>31</sup> There was internal resistance by a few 'unorthodox' staff against the developments in the early 1980s; however without success. Yet these staff members continued campaigning for incorporating social issues into development throughout the 1980s. Even though the discourse on social issues was muted over the course of the 1980s, it was then that internal advocates established the first operational policies and manuals with social content and thus actively shaped policy norms (see Davis 2004 and OED 2004: 67). These policies and procedures became increasingly important and powerful as external critique mounted at the end of the 1980s, in particular by other aid agencies and NGOs.

The criticism centred on two different incidences: Firstly, droughts caused severe famine in Sub-Saharan Africa (SSA) in the early 1980s. Public awareness was enhanced when pictures of starving children in Africa were publicised globally. Attention turned not only to the African crisis but questioned the legitimacy of Bank activities in developing countries generally. This was the beginning of massive criticism of the Bank's SAL. The most resounding voice of this critique stemmed from UNICEF, which published a report called *Adjustment with a Human Face* which argued for social policies to be incorporated into adjustment programs (Cornia et al. 1987).

The second critique came from NGOs who increased their involvement in opposing the negative social and environmental implications of large Bank projects. The most famous and often cited example is the Sardar Sarovar (Narmada) Dam in India. This case is widely known as the project that stimulated a comprehensive process of Bank learning regarding its resettlement policies (see Fox 1998). At first, NGO activities were directed at specific projects concerned with issues such as indigenous people and the environment. These efforts had three main consequences for social issues: First, they increased public awareness and thus intrusive public scrutiny of Bank engagement in general, and consequently also in other social areas. Second, the environmental agenda expanded beyond concerns for the physical biosphere and quickly became a synonym for

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<sup>31</sup> The Annual Reports' statistics for sector lending during the 1980s show that in the case of education for instance, lending volume is on average about 4.5% of total lending (for the period from 1980-1989) while from 1982-1984 the numbers were a bit below this average and in 1987 it dropped significantly (2.5%), in 1981 or 1985 respectively, it amounted to 6% and more.

social issues. Not only would huge Bank projects have environmental but also social impacts in terms of resettlement. Moreover, environmental problems of projects have a direct effect on people and hence are related to social issues. And third, the issue of resettlement introduced another, nowadays famous, topic of social development, participation. In Bank project implementation at that time, the project's social impact on actual people was not considered at all, despite being enormous. Thus, carrying out a social impact analysis became part of the Bank's social agenda. In the end, this led to the framing of development as a participatory and people-centred approach and is one of the main aspects of the Bank's newly defined social development approach.

By the end of the 1980s this loud and powerful criticism against the Bank enhanced the position of existing social staff inside the organization. These social staff had been active throughout the 1980s, employing various strategies in order to incorporate the social dimension into the Bank's development perspective. Hence, it was not NGO pressure and other critical voices alone that shifted the Bank's attention to social issues in the beginning of the 1990s. Rather, their critique found a receptive audience inside the organization. Internal advocates played a crucial role in bringing the social aspects of development to the fore. As Fox discussed in relation to the case of the Narmada Dam, internal advocates strategically used external critique by groups such as the Environmental Defense Fund or Oxfam to foster the social agenda within the Bank (ibid.). This was decisively different from the IMF case, where social knowledge in form of social staff did not exist and thus NGO critique did not resonate. In the beginning these advocates, called non-economist social scientists (or NESSies<sup>32</sup>) were McNamara's recruits.

The NESSies developed their own structures inside the Bank.<sup>33</sup> Very soon after their recruitment, a so-called *Sociology Group* was initiated, led by Michael Cernea. This group met periodically to discuss specific social issues of development, invited guest speakers from outside the Bank, including NGO representatives. It usually drew 20 to 50 Bank people to brown bag lunches or presentations.<sup>34</sup> As Cernea (2004) today says: "Bringing social knowledge into the Bank was my challenge from the very first day I joined the World Bank, my 'ToR'<sup>35</sup> ..." (ibid.: 3) But as he also noted, the very language for that undertaking did not exist in the Bank at that time. But with these few social scientists, such knowledge and language entered the Bank and found its materialisation not only in such informal meetings as the Sociology Group but also in publications of books, reports and articles on the social dimension of development.<sup>36</sup> Moreover, these unorthodox staff members actively pursued policy norms employing a variety of strategies to promote new topics within the organization: networking with internal and external actors and building powerful allies that try to exert their agendas (1); lobbying within the organization at Board and management level (2); using external pressure to (re)frame policy issues (3); and extending the organization's goal by reinterpretation (4).<sup>37</sup>

Thus, the driving forces for a new policy norm in the Bank were the result of internal advocacy combined with external critique by NGOs rather than member states. Both shifted the Bank's focus on the social costs of adjustment towards the entering of social issues into the discourse, albeit with a low profile and linked to their usefulness for economic growth. Their next step was a strategy called "getting from project to policy level"<sup>38</sup>, i.e. transforming specific project practices into overall guidelines or directives that apply to all Bank activities. In other words, the respective social knowledge had been present in the Bank since the late 1970s. These advocates wrote reports and led evaluations about the role of social knowledge and social policies in development.<sup>39</sup> However, it required a situation of decreasing Bank reputation and increasing uncertainty about the appropriate

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<sup>32</sup> See Kapur et al. 1997: 375.

<sup>33</sup> Several interviews with Bank staff in March 2004.

<sup>34</sup> Interviews on April 7 and 8, 2004.

<sup>35</sup> 'ToR' stands for 'Terms of Reference'.

<sup>36</sup> Two of the most significant books are Cernea 1985 and Salmen 1987.

<sup>37</sup> See interview on April 8, 2004.

<sup>38</sup> Two interviews on April 8, 2004.

<sup>39</sup> Among many, see Cernea 1985 and Salmen 1987.

development strategy reflected in external critique that made these internal voices more powerful and facilitated putting knowledge into practice. The significance of these accounts becomes clearer when compared to the Fund. In terms of SAL and its social impacts, the IMF has had a similar environment as the Bank. NGO directed their critique also against the Fund but it had by far not the same outcome. Reflecting on the considerations above about an organizational personality the IMF has a limited mandate which did not allow for expansion. Usually, when these critical aspects were discussed, debates close with the conclusion that the Fund's main task is to ensure macroeconomic stability and balance of payment which is a technical issue based on certain economic models. Secondly, NGO critique was received in a hostile manner as opposed to the Bank which is at least partly based on the fact that these two parties were talking in different languages given their different mind-sets.

The new notion that environmental and social policies are not detrimental to the Bank's main objective of economic growth, received increasing popularity inside the organization. Apart from the advocates' success in formulating several operational social policies and manuals in the 1980s, the organizational structure changed and a new department was created in 1987, the Environment Department. More and more social scientists were hired to the Bank and in 1993 their institutional position was strengthened even more by the establishment of a vice-presidency for Environmentally Sustainable Development (ESDVP). At the same time, the organization's environment had changed, reflected most significantly in the 1995 World Summit on Social Development in Copenhagen. This summit not only signified a new commitment to social development but it embraced a broader concept of social development as a

political, economic, ethical and spiritual vision [that is] based on human dignity, human rights, equality, respect, peace, democracy, mutual responsibility and cooperation, and full respect for the various religious and ethical values and cultural backgrounds of people.  
(World Bank 1998: 9)

This approach stresses people-centeredness, equity, social justice and solidarity as well as the integration of social, economic, and cultural policies. At the conclusion of the summit, all participating heads of state and governments adopted the Declaration on Social Development, pledging to follow its principles.

Yet the Bank was not at the forefront of this agenda. The summit was a reflection of a changed atmosphere within the aid community. Another example was the UNDP's human development approach promoted by the Human Development Report Office under the leadership of Mahub ul Haq (Emmerji al. 2005). Academically, the idea that development is primarily about human beings had been supported by Amartya Sen which he distributed also in the Bank through various lectures as well as publications.<sup>40</sup> 'Social' staff within the organization drew authority and legitimacy from these events. It was in this environment, and possibly a reflection of it, when James D. Wolfensohn assumed his new position as Bank president. He found an organization in crisis. The Bank was under pressure from many sides: In addition to increasing NGO critique on its neoliberal economic policies, which culminated in the 50 years is enough campaign in 1994 (Danaher 1994), the organization had to defend itself against crucial criticism of its "culture of loan approval". The Wapenhans Report, released in 1992, revealed that this culture of loan approval in the Bank caused a decline in the performance and quality of Bank operations (Wapenhans et al. 1992). These deeply rooted organizational problems were compounded by an increasing financial pressure. In the early 1990s, private capital flows to developing countries rose<sup>41</sup> and undermined the Bank's role and influence. Combined with the growing perception of a gap between the Bank's rhetoric and its performance, a loss of faith in aid and development ensued.

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<sup>40</sup> For his ideas, see Sen 2001.

<sup>41</sup> Private capital flows increased from \$40.9 billion in 1990 to \$256 billion in 1997 (see MIGA 1998) whereas multi- and bilateral aid decreased from 57% of all net financial flows to developing countries to only 15% in the same time span (see World Bank 1998).

Thus, Wolfensohn saw himself confronted with a number of challenges from diverse directions. But instead of choosing a few select priorities for the organization, he tried to be “all things to all people” (Rich 2002: 26) trying to ensure the Bank’s relevance, influence, and position. From his first day in office, Wolfensohn promised wide-ranging internal reforms. But in addition, social staff started lobbying him immediately after he assumed presidency in 1996.<sup>42</sup> His first undertaking was the Strategic Compact (SC), which aimed to renew the Bank’s development paradigm, its role as the leader in development, and its external legitimacy. It had a tremendous impact on the design of the social development approach since the social agenda was at the core of the new Bank’s mission. In conjunction with the Compact and at the urging of the Bank’s lead sociologist Michael Cernea, a social development task force was established<sup>43</sup> to take stock and prepare an overall social development approach. The resulting report (World Bank 1997) summarised the various social policy operations already underway and provided a list of recommendations to advance the social agenda.

Following these recommendations, several institutional changes were established: In January 1997 the Social Development Network was established and placed within the ESDVP; in March 1997 the SC was approved allocating resources to social development, e.g. for the recruitment of more social scientists to the organization.<sup>44</sup> In December 1997, a research initiative was agreed upon to work on social issues together with the Poverty Reduction and Economic Management unit (PREM). Moreover, by 1997, Social Development units had been created in the regions and a Social Development Board had been established with representatives from the regions. The Board aimed to provide infrastructure for the network: integrating and mainstreaming topics such as participation, social analysis and gender into Bank operations; identifying key social problems in each country and region<sup>45</sup>; incorporating social development into the Bank’s business; working with NGOs; and focusing on new topics such as post-conflict reconstruction and cultural heritage (World Bank 1998). Rather than being scattered all over the organization, the Board and the SDD provided social development experts with an institutional home, which facilitated targeted work and agenda-setting.

Without the ambitious figure of James D. Wolfensohn, the Bank’s reforms by the end of the 1990s might not have gone so far. However, without internal advocates among staff who lobbied the president to implement new policies he would not have been able to exert these reforms. As Bebbington et al. point out the World Bank can be considered as a “battlefield of knowledge with different arenas in which the contests are waged” (Bebbington et al. 2004: 38). NESSies are still in the minority within the Bank and many staff still believe in economic growth as the main objective of development, although many of them have now refined their arguments (World Bank 2001).<sup>46</sup> Nevertheless, the existing social policy units and networks supported Wolfensohn’s endeavour to raise their operational importance. Willing staff were available for the establishment of the SDD, and more were hired in the late 1990s following the task force report’s and the SC’s suggestion.<sup>47</sup> This in turn increased the staff mix and thus, the potential for internal lobbying to enhance the Bank’s social agenda. Moreover, the SC contributed to two other change-conducive reforms that may have long-term impact: first, it required collaboration between economists and non-economists, and second, it changed the Bank’s organizational structure into a so-called matrix structure. Both reforms led to greater competition among staff in different units and therefore to an increased degree of activity and creativity regarding new policies which in turn might make the social agenda more prominent in Bank operations in the future.

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<sup>42</sup> Interviews with Bank staff in March 2004.

<sup>43</sup> Interview with M. Cernea, April 8, 2004. See also Bebbington et al. 2004.

<sup>44</sup> The SC reallocated US\$10 million to the regions and US\$2 million to ESDVP for these issues.

<sup>45</sup> By 1997, for the first time in Bank history, each of the regions had a systematic action plan regarding social issues.

<sup>46</sup> One can distinguish between ‘hard-core’ or pure economists, soft economists and non-economists; see Vetterlein 2006a and also Kanbur 2001.

<sup>47</sup> In 1998, 75% of the 220 staff mapped to the Social Development Family indicated that they had been in the Bank for less than 3 years (Davis 2004: 22).

Time period	Development norm	Content/Normative claim	Social Policies/ Activities	Main Triggers
1980s	Economic development	Structural adjustment will lead to economic growth which will in turn lead to poverty reduction, BUT: <i>social</i> costs of adjustment	Stabilization and adjustment policies (SAPs) SDA and other Social Action Programs, Emergency Funds and the like  Operational manuals with social content	World economy and political climate  Resistance from inside against the erosion of McNamara's poverty focus
1990s	Economic and social development	EG to enhance the income-earning opportunities of the poor and human development/PR to enhance their ability to respond to opportunities	Social safety nets (SSN)  ESSD – hiring of social staff	External pressure (UNICEF/NGOs) combined with internal advocacy
2000s	Equitable, inclusive, and sustainable development	Economic growth is not enough, poverty reduction as precondition for EG	PRSP SC, CDF  Increased hiring of social staff	Continued external pressure, Asian Financial Crisis, leadership and internal norm entrepreneurs

*Table 3: The Bank's Changing Normative Understanding of Development*

## 5. Conclusion

The paper intended to investigate how norms emerge, transform and fade away in IOs. In IR literature IOs have been usually dealt with as norm diffusers. The question this paper addressed was where do norms come from and how do they emerge and change in or through IOs. I have suggested to approach that issue with two different strategies: First, I have argued to pay attention to context and social practices when studying norms. Methodologically, this leads to in-depth case studies or process tracing. While recent (constructivist) analyses do apply precisely these methods, I have secondly argued that single case studies are not sufficient to theoretically illuminate the issue of norms in IOs. I proposed to follow Max Weber's method of deriving a typology based on comparing cases. The comparison between the Bank and the Fund revealed that they have different personalities based on their organizational characteristics which leads them to behave differently in terms of shaping policy norms. The Bank is rather pro-actively responding to various critiques, whereas the Fund adopts policies passively if it cannot be avoided. More comparative research needs to be done; this is to say that the analysis needs to be expanded to other IOs (see for example Barnett and Finnemore 2004 for a start or Bartkowski 2006) but also to a broader variety of policy issues (Miller-Adams 1999 for the World Bank). The comparison discussed in this paper led to the following results:

Poverty reduction had officially entered the Fund's discourse mainly through a changed normative environment combined with external shock situations in which the Fund could not any longer resist external pressure. It was the Board that requested the external review of the ESAF and it was Camdessus who coined the term 'high-quality growth' and who called for a social pillar in the global financial architecture. Apart from Masood Ahmed, there is no sign from which one could draw the conclusion that there are norm entrepreneurs among its staff in the same way as this is the case in other IOs. In the World Bank, internal advocates actively and strategically push for certain agendas (Vetterlein 2007, Davis 2004, Fox 1998, Kardam 1993). Such bottom-up processes are not likely in the IMF. New visions and ideas are transformed into policy norms outside the Fund which then tries to accommodate them. However, while adjusting to them the IMF often shapes policies

decisively. Thus, the Fund is rather a norm follower than engaging in creating development norms; and it follows in particular the Bank's lead. Given its personality, this is not too surprising. The characteristics of the Fund's personality discussed in the beginning of this paper are not conducive for an active organization to develop. The Fund is a homogeneous organization with relatively fixed and stable convictions that are difficult to challenge. Combined with its organizational culture characterized by hierarchy, less debate and creativity it requires extreme events in order for the IMF to engage in policy change, let alone actively searching for it. However, it also lacks the autonomy to do so.

Contrary to the Bank, the Fund's degree of independence from its member countries (or the Board) is rather low. For the Bank it is much easier to establish new units or task groups for two reasons: Firstly, in comparison to the Fund, it is easier for the Bank to justify activities in various issues before the Board with the general goal of development anchored in its mandate. Secondly, the Bank disposes of its own resources and is thus less dependent on the agreement of its member countries. If management wants to have more research conducted in a specific area or hire special experts on a specific topic, it can do so; while in the Fund everything needs to be agreed upon by the Board. The proposal for a *Sovereign Debt Restructuring Mechanism* (SDRM) is a good case in point. Following various different ways to deal with the enormous debt of some developing countries<sup>48</sup>, the SDRM was the first one that was solely a Fund idea. In 2002, Anne Krueger requested work on this initiative which would have been a basis for equitable debt restructuring. Intensive research was carried out inside the organization. It was also an area of Fund expertise and falls into its mandate as opposed to social issues that are rather inconsistent with its original mandate and where new staff might have been necessary in order to appropriately deal with that problem. However, all work was ceased when the Board rejected the proposal in the beginning of 2004. One interviewee described it as a situation of a high level of frustration (interview on March 19, 2004). Yet the decision was accepted and no more work was done on the issue. This example shows that the Fund does try to actively champion policy norms. But even if this is the case the organization is not autonomous enough to exert its ideas and interests.

As rigid and resistant as the Fund is against new ideas and policy norms from the outside, as flexible it is inside once it has decided to promote a particular norm. This again relates to its staff culture of following formal rules and directives from management. But it also refers to being a relatively small and hierarchical organization with a comparable clear mandate and a very clear structure. This leads to a high level of control and also efficiency in its daily operations. For the issue of norm setting and promoting this means that while the Fund might not be at the forefront of new ideas it is powerful in processing and teaching them.

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<sup>48</sup> The latest of which and still active is the *Highly Indebted Poor Country* (HIPC) initiative established by the World Bank in 1996.

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