

Owning Development

Creating Policy Norms
in the IMF and the World Bank

EDITED BY

Susan Park and Antje Vetterlein



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Preface and acknowledgements

Economics. Politics. Society. How do these three work together and in what order? Questioning the order in which societies organize is fundamental to understanding economic development and international political economy. International organizations such as the International Monetary Fund (IMF) and the World Bank are integral to how developing societies determine that ordering, by proffering development norms and sanctioning appropriate economic behaviour. This book takes a step back to look at how the Fund and the Bank take up the ideas they do and translate them into policies that are then propagated throughout the developing world. We did not know that we shared these concerns until we met in 2005. We both had the pleasure of attending a World Bank workshop organized by Diane Stone in Budapest. We didn't know each other then, but the workshop brought us together with a number of like-minded people who have contributed to this volume, people we now call friends.

The workshop was important for identifying researchers who had taken up the constructivist challenge identified by Michael Barnett and Martha Finnemore in 1999: to open the proverbial black box of international organizations (IOs) to see how and why they make the decisions they do. We view this edited collection as representative of a new generation of IO scholars who do just that. All of the people in this book examine how and why the IMF and the World Bank operate the way they do by tracing how ideas enter into these institutions and become policies that the Fund and the Bank promote to developing countries, which is a process that creates what we call 'policy norms'. We therefore owe an intellectual debt to Barnett and Finnemore, and a personal debt to Diane Stone. Not only did she arrange the first meeting in Budapest, but we would meet more contributors to this volume when Diane organized a third World Bank workshop that we both attended in Bled in 2007.

In the time between these World Bank workshops the idea for a volume capturing the constructivist work being undertaken on ideas within these two IOs grew. Antje was then persuaded to come to Australia over

Christmas and it was in Adelaide that we set to work to determine what such a volume might look like. We organized a panel at the International Studies Association (ISA) in Chicago in 2007 with Jeff Chwieroth and others, which despite being last on the programme for the conference that year was very well attended. It provided impetus for us to continue. We then brought all of our participants and discussants together at an ISA workshop in San Francisco in 2008, followed by a panel in New York in 2009. By that stage, we had our manuscript and were hoping to find a home for it. We found that with Cambridge University Press. Later in 2009 we polished the work in Copenhagen, which shows just how many miles have been covered in putting this book together!

In terms of the IMF and the World Bank, their practices also show the distance these institutions have covered in areas like gender, social development, debt, sustainability, and in taking up new public management. But they also demonstrate how some ideas that are picked up wane in importance. The volume is unique therefore in showing not only how positive ‘good’ ideas are consumed by IOs, but also how ideas are filtered through the policy-making process, and how norms may decline in importance in these institutions. In this regard we see the value-added of this collection as not only in bringing the constructivist norms literature into our analysis of these IOs, but in showing that examining ideas should not be, and is not, solely focused on tracing successful stories of the diffusion of ‘liberal’ ideas.

In tracing how these institutions take up ideas and turn them into policy we hope that the volume will appeal to development scholars as well. Our nine cases of policy norms cover vital issue areas that are fundamental to development – not just debt and gender as mentioned earlier, but also current and capital account liberalization, and pension and tax reform. How policies are decided, and on what normative basis, is critical for the Fund and the Bank in terms of their relationship with societies in their attempts to develop. It is also central to perceptions of the IMF’s and the World Bank’s importance and power in the international political economy. The 2008 global recession has reinvigorated the IMF and boosted World Bank lending after their decline in importance stemming from criticism of their actions during the Asian financial crisis and as a result of the abundance of private capital flowing to developing countries from the 1990s. Yet the book also points out how external shocks like financial crises and the end of the Cold War are just one of the triggers for new thinking and new policy norms to enter into these institutions. The book also recognizes that IOs tend to have staying power in light of uncertain political, economic and social conditions. We hope this book helps in

making sense of the waxing and waning of Fund and Bank influence, through tracing how their ideas emerge and how their policies are formulated both as reflexive responses to their member states and non-state actors, and from pushes for change by staff inside these organizations.

Work on this book began in December 2006 in a library in Adelaide, Australia. This was the first of many intense sessions to come, some of which took place in cafés around the world, but most of which occurred through email and phone conversations. All of the authors were brought together at the workshop in San Francisco in 2008 when the main ideas of this book had already begun to take shape. We asked our contributors to present their specialized knowledge on IMF and World Bank policies and to fit it within our conceptual framework of emerging, stabilizing and declining 'policy norms'. An intensive period of revisions followed before submission to the publisher. Our thanks go to the contributors to this volume, for their patience and excellent collaboration. Chapters arrived on time, they came with lots of good humour and great ideas – you have made this such a straightforward process that we cannot thank you enough.

We have so many more colleagues and scholars to thank for helping to bring the ideas in this book to fruition. We would like to thank Diane Stone for arranging a series of World Bank workshops, especially the first one in Hungary where many of us met for the first time, and the third workshop in Slovenia where we were introduced to other scholars who would then join this volume. The workshops were part of the Research Bank on the World Bank project initiated by Diane Stone and first hosted by the Central European University (co-sponsored by the World Bank and the Economic and Social Research Council). The workshops would also establish the Research Alliance for Development to promote a sharing of ideas and research between scholars and the World Bank. We would like to thank everyone who commented on the various papers and acted as discussants to panels for this collection: Steven Bernstein, Jacqueline Best, Toby Carroll, Ralf Leiteritz, Leonard Seabrooke, Ole Jacob Sending, Jason Sharman, Diane Stone, Mike Tierney and Antje Wiener. We would like to thank the International Studies Association for the Catalytic Research Workshop grant that funded the 2008 workshop in San Francisco where we were able to have all of the contributors in one place and to take apart and put back together the ideas in each of the chapters. ISA also hosted our panels before the workshop and after. Knowing that ISA was arriving every February was a good boost for getting drafts finished! We would also like to thank Tom O'Brien for doing the hard slog of putting together our bibliography: we really appreciate it.

Susan would like to thank her interviewees, especially Robert Goodland for sharing his wealth of knowledge of and experience in the Bank. Funding was also provided by Deakin University for some of the research undertaken in Washington, DC. I would also like to thank the Centennial for Political Science and Public Affairs for hosting me in Washington, DC, and Jack Ireland for putting me up – again! Thanks also go to my partner, Matt, for not minding the hours spent hunched over email and Skype late at night to discuss the book with Antje and the hours spent at my desk rather than being there.

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Finally we would both like to thank John Haslam and Cambridge University Press and two anonymous reviewers for their comments. The book has been made stronger as a result of the process.

SUSAN PARK
AND
ANTJE VETTERLEIN

St Petersburg

Acronyms and abbreviations

ADB	Asian Development Bank
BIS	Bank for International Settlements
BP	Bank Procedures
BWI	Bretton Woods institutions
CAC	current account convertibility
CAL	capital account liberalization
CAS	Country Assistance Strategy
CODE	Committee on Development Effectiveness
CoE	Council of Europe
CSA	Country Systems Approach
DfID	Department for International Development, UK
DIPRES	Budget Office, Ministry of Finances, Chile
EA	Environmental Assessment
EB	Executive Board
EBM	Executive Board Minutes
EBS	Executive Board Specials
ED	Environmental Department
EIA	environmental impact assessment
ESAF	Enhanced Structural Adjustment Facility
ESD	environmentally sustainable development
ESSD	Environmentally and Socially Sustainable Development Network
ESW	Economic and Sector Work
EU	European Union
FAD	Fiscal Affairs Department
FDI	foreign direct investment
FI	financial intermediary
FPSI	Finance Private Sector and Infrastructure
G7	Group of Seven
GAD	gender and development
GAP	Gender Analysis and Policy
GP	good practices

GTZ	Gesellschaft für Technische Zusammenarbeit
HD	human development
HIPC	heavily indebted poor country
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IEO	Independent Evaluation Office
IIF	Institute of International Finance
ILO	International Labour Organization
IMF	International Monetary Fund
IMFC	Interim Committee of the Board of Governors on the International Monetary System
IOs	international organizations
IR	international relations
ISA	International Studies Association
IUCN	International Union for Conservation of Nature
MDBs	multilateral development banks
MDF	Multilateral Debt Facility
MDGs	Millennium Development Goals
MDPP	Pilot Project of Municipal Development
MICs	middle-income countries
MOP	Ministry of Public Works
NATO	North Atlantic Treaty Organization
NDC	non-financial defined contribution
NEPA	National Environmental Policy Act
NGOs	non-governmental organizations
NPM	new public management
NUPI	Norwegian Institute of International Affairs
OD	operational directive
OECD	Organization for Economic Co-operation and Development
OED	Operations Evaluation Department
OMS	Operational Manual Statements
OP	Operational Policy
OPCS	Operations Policy and Country Services
OPCSN	Operations Policy and Country Service Network
OPN	Operational Policy Note
OSCE	Organization for Security and Co-operation in Europe
PA	principal-agent
PAYG	pay-as-you-go
PER	Public Expenditure Review

PREM	Poverty Reduction and Economic Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
SAF	Structural Adjustment Facility
SAL	Structural Adjustment Lending
SBA	Stand-By Arrangement
SDN	Sustainable Development Network
SDRM	Sovereign Debt Restructuring Mechanism
SM	Seminar Memorandum
TFAP	Tropical Forest Action Plan
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VAT	Value Added Tax
WCD	World Commission on Dams
WDR	World Development Report
WID	women in development
WTO	World Trade Organization

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Part One

Introduction