• GLOBAL ECONOMIC GOVERNANCE PROGRAMME •

EFFECTIVE REPRESENTATION AND THE ROLE OF COALITIONS WITHIN THE IMF

Ngaire Woods
Director, Global Economic Governance Programme

and

Domenico Lombardi,
Senior Associate, Global Economic Governance Programme

20 October 2005

GEG WORKING PAPER 2005/17

Ngaire Woods

Ngaire Woods is Director of the Global Economic Governance Programme at University College, Oxford. Her most recent book *The Globalizers* is being published by Cornell University Press. She has previously published *The Political Economy of Globalization* (Macmillan, 2000), *Inequality, Globalization and World Politics* (with Andrew Hurrell: Oxford University Press, 1999), *Explaining International Relations since 1945* (Oxford University Press, 1986), and numerous articles on international institutions, globalization, and governance. Ngaire Woods is an Adviser to the UNDP's Human Development Report, a member of the Helsinki Process on global governance and of the resource group of the UN Secretary-General's High-Level Commission into Threats, Challenges and Change. She was a member of the Commonwealth Secretariat Expert Group on Democracy and Development established in 2002, which reported in 2004.

Domenico Lombardi

Domenico Lombardi is President of OXONIA, The Oxford Institute for Economic Policy. Dr. Lombardi is an Associate Faculty Member at Nuffield College, a Senior Research Associate with the Global Economic Governance Programme as well as the International Development Centre at Queen Elisabeth House (Oxford University). Previously a Visiting Scholar at The Institute for Fiscal Studies, London, he has advised various multilateral organisations and government institutions. Dr. Lombardi is a member of the Economics Panel at the Brookings Institution and sits on the Bretton Woods Committee in Washington. He also serves as a Managing Editor of World Economics and is on the editorial boards of various journals. His research interests focus on corporate investment policies, the reform of the international monetary system and the creation of a new aid architecture for low-income countries, on which he has authored numerous publications. He graduated in Economics from Bocconi University, Milan, and did his postgraduate studies at Harvard University, The London School of Economics and Oxford University (Nuffield College), from which he holds a Ph.D. in Economics

Abstract

The IMF is governed by a 24-member Executive Board, which represents 184 countries. Although often prized as a small and efficient decision-making body, the Board represents some countries more effectively than others. This is due to the institutional structure and incentives within which the Board operates. Prime among them is a system of constituencies, which have formed and evolved as countries have sought to improve their position in the organization. These groups vary in size, shared interests, and distribution of power. Their effectiveness is not only affected by these attributes. It is also determined by decision-making rules across the institution, by the lack of formal accountability of Board members, and by the strength of other coalitions of countries acting informally within the institution. The analysis implies that representation on the IMF Board could be improved without altering the size of the Board.

Introduction

In the contemporary study of international relations surprisingly little attention has been paid to the inner-workings of the IMF. In earlier decades several attempts were made to examine power, decision-making and bargaining within international institutions more generally (Knorr 1948, Kindelberger 1951, Matecki 1956, Cox and Jacobsen 1973). However, these empirical studies soon gave way to a more behaviouralist fashion in American political science which focused on analysing voting behaviour with rather mixed and often unenlightening results for the study of international organizations (as noted by Martin and Simmons 1998).

A relatively recent resurgence in interest in the IMF has been brought about by increased attention to the organization and its role in managing financial crises. So too, new methods in political science have caused scholars to return to questions about how the organizations work, and how their governance structures affect their relationship with their member states and their effectiveness.

The new scholarly literature casts a spotlight on several key actors and processes within the IMF. Mostly, scholars have examined what determines dominant – usually US – preferences and positions within the IMF. Some have addressed the role of private creditors (Gould 2003). Others have analysed the driving forces behind US foreign policy preferences (Thacker 1999, Stone 2002, Momani 2004). More generally, scholars have begun to focus on how states delegate power to the organization and how much agency that leaves the staff and management (Tierney et al, Martin 2004). In a more constructivist vein, other scholars examine the role of institutional habits and learning in shaping the work of the organization (Finnemore 2004). The results of each of these studies usefully illuminate the ways powerful states use the organization and some of the dynamics of work within its bureaucracy.

There is one important gap in the existing scholarship. Weaker states within the organization are virtually left out of the analysis. Powerful states are cast as the principals of the organization. IMF staff and management are cast as the agents. Developing and transition economies are set at the margins, albeit with some exceptions in scholarly work. For example, important work has been done examining the distribution of voting rights across the organization (Rapkin and Strand 2005, Leech 2005). Other work has assessed more broadly the governance arrangements in the IMF (Kelkar et al 2005, Van Houtven 2002).

In this paper we broaden the existing academic scholarship by focusing on the structure of participation and representation of weaker members of the organization, not just according to formal rules and voting rights but, equally importantly, as shaped by informal mechanisms and conventions. We proceed in the following steps. First we outline the governance framework within which countries' participation in the IMF takes place. Second, we examine the way countries have come together in `constituencies,' which are collectively represented by an elected Executive Director. Third, we analyse why some constituencies are more powerful than others, probing factors beyond simple voting strength. Fourth, we look beyond constituencies at the informal cross-constituency coalitions, which affect countries' influence in the organization. Finally, we conclude with remarks about the implications of our results.

Overall our work explores factors, which affect how effectively developing countries are represented in the IMF. That said, we do not propose an explicit measure of `effectiveness' against which increases or decreases in performance might be tracked. Rather, we offer a necessary precursor to any such analysis. We define and analyse the variations in formal voting power enjoyed by different countries, as mediated through the offices of Executive Directors who represent them. We also offer an analysis of the informal coalitions and networks, which might bolster (or indeed erode) the ways formal power can be exercised by countries represented in the IMF.

The Governance Framework

Like most international organizations, the IMF has a large number of members. One hundred and eighty-four countries belong to the organisation. Each needs to be represented and this poses a serious governance problem. A Board comprising 184 members is unlikely to be able to debate, decide and implement decisions in a flexible and efficient way. And that – thankfully many would argue – is not how the IMF works.

In practice, its Executive Board – comprising 24 Directors and chaired by the Managing Director – runs the organization.[1] The five largest members of the IMF appoint their own Director (USA, Japan, Germany, France and UK), all other members have gravitated into groupings or `constituencies' of countries which elect a Director to represent them (such as the Director from the Netherlands who represents 12 countries). While each country has an individual share of votes relative to its economic size, the constituency Director wields the collective vote of all of his or her members. The result is a relatively small and effective Board praised by those who complain that the one-country one-seat and one-vote systems in the United Nations General Assembly or the World Trade Organization Ministerial Council are unwieldy.

A significant problem with the Fund's governance is that some Directors on the Board seem effectively to represent their country or group of countries, while others do not. Most analysts explain this as a result of differences in voting power and voice. Unequal voting power means that some Directors can afford to be ignored by the rest. For example, the 24-country African group, which collectively wields 1.42% of total voting power cannot rely on voting power and so must fall back on attempting to influence colleagues on the Board through persuasion. But not all countries have the same capacity to prepare and present a persuasive case. On the face of it, the personality, preparation, and technical capacity of the individual seem key to persuasion. For this reason, reformers have argued not just for more votes for developing countries but also for more technical assistance to ensure they can better make their arguments.

A factor which has been virtually ignored by analysts of the institution has been the role played by coalitions – both formal and informal – within the agency, how these are organized, and what incentives they give to Executive Directors to act or not to act effectively. This paper takes up that challenge. It examines how groupings of countries within the IMF have come to be structured and with what implications for influence in the organization. It examines both formal and informal coalitions and constituencies in the organization, analyzing their cohesiveness and procedures of consultation, deliberation and advocacy.

How Countries are Grouped in the IMF

There are no set rules governing how countries group together within the IMF.[2] A constituency system has evolved whereby states have come voluntarily together into groups of anything between four and twenty-four countries to elect an Executive Director who votes for the group as a whole. Constituencies are each run according to their own habits and conventions. These tend not to be codified or recorded although in a number of cases there are formal `constituency agreements' – like, for instance, in the constituencies of Belgium and Iran. That said, constituencies have changed over time as individual countries have switched alliances in search of more influence within their group or in order to form a more coherent regional or other grouping. Take the case of Indonesia, which first joined the constituency headed by Italy in the 1950s and then moved to one comprising the Islamic countries of North Africa and Malaysia (eventually also joined by Laos and Singapore). Subsequently in 1972 Indonesia formed a more geographically-tidy constituency including Korea, the Philippines and Vietnam. Another case is Australia, which joined the IMF in 1947 and formed a constituency with South Africa that eventually included various countries from southern Africa and the Pacific (including Lesotho, Swaziland, New Zealand and Western Samoa). In 1972 African members began to move to other constituencies and Australia's constituency gained new Asian countries including Korea and the Philippines. Now this constituency – still chaired by Australia[3] – accounts for fourteen countries spanning throughout the whole Pacific region.[4]

A recurring reason why countries change constituencies has been to take up a more influential or senior role within their group. Members vie for the influential posts of Executive Director, Alternate Executive Director, Senior Advisor and Advisor within each constituency. For instance, Spain, Poland and Greece were all once in the constituency chaired by Italy. By joining a Central American constituency in 1978, Spain got the chair in turn with Mexico and Venezuela. Meanwhile Poland opted to move to the constituency chaired by Switzerland to hold the position as Alternate Executive Director.[5] Greece initially moved to the Iran-led constituency to take up the position of Alternate Director but then when the Spanish left the Italian constituency (leaving the Alternate position open), Greece moved back to the Italian constituency to take up the Alternate Executive Director position there.

SEE TABLES 1, 2 AND 3 ON PAGES 6-8

Table 1

Constituency	Member Countries	Votes	Votes in % of Total Constituency Votes
USA		371,743	100
JAPAN		133,378	100
GERMANY		130,332	100
FRANCE		107,635	100
UK		107,635	100
RUSSIA		59,704	100
SAUDI ARABIA		70,105	100
CHINA		63,942	100
BELGIUM (ED)	Austria	18,973	16.99
AUSTRIA (AED)	Belarus	4,114	3.68
	Belgium	46,302	41.45
	Czech Republic	8,443	7.56
	Hungary	10,634	9.52
	Kazakhstan	3,907	3.50
	Luxembourg	3,041	2.72
	Slovak	3,825	3.42
	Slovenia	2,567	2.30
	Turkey	9,890	8.85
	Total	**111,696**	**100**
NETHERLANDS	Armenia	1,170	1.11
UKRAINE	Bosnia	1,941	1.84
	Bulgaria	6,652	6.31
	Croatia	3,901	3.70
	Cyprus	1,646	1.56
	Georgia	1,753	1.66
	Israel	9,532	9.04
	Macedonia	939	0.89
	Moldova	1,482	1.41
	Netherlands	51,874	49.21
	Romania	10,552	10.01
	Ukraine	13,970	13.25
	Total	**105,412**	**100**
SPAIN	Costa Rica	1,891	2.03
MEXICO	El Salvador	1,963	2.11
	Guatemala	2,352	2.53
	Honduras	1,545	1.66
	Mexico	26,108	28.08
	Nicaragua	1,550	1.67
	Spain	30,739	33.06
	Venezuela	26,841	28.86
	Total	**92,989**	**100**
ITALY	Albania	737	0.81
GREECE	Greece	8,480	9.32
	Italy	70,805	77.84
	Malta	1,270	1.40
	Portugal	8,924	9.81
	San Marino	420	0.46
	Timor-Leste	332	0.36
	Total	**90,968**	**100**

Constituency	Member Countries	Votes	Votes in % of Total Constituency Votes
CANADA	Antigua	385	0.48
IRELAND	Bahamas	1,553	1.93
	Barbados	925	1.15
	Belize	438	0.54
	Canada	63,942	79.30
	Dominica	332	0.41
	Grenada	367	0.46
	Ireland	8,634	10.71
	Jamaica	2,985	3.70
	St. Kitts and Nevis	339	0.42
	St. Lucia	403	0.50
	St. Vincent	333	0.41
	Total	**80,636**	**100**
ICELAND	Denmark	16,678	21.87
DENMARK	Estonia	902	1.18
	Finland	12,888	16.90
	Iceland	1,426	1.87
	Latvia	1,518	1.99
	Lithuania	1,692	2.22
	Norway	16,967	22.24
	Sweden	24,205	31.73
	Total	**76,276**	**100**
AUSTRALIA	Australia	32,614	45.03
NEW ZEALAND	Kiribati	306	0.42
	Korea	16,586	22.90
	Marshall Islands	285	0.39
	Micronesia	301	0.42
	Mongolia	761	1.05
	New Zealand	9,196	12.70
	Palau	281	0.39
	Papua New Guinea	1,566	2.16
	Philippines	9,049	12.49
	Samoa	366	0.51
	Seychelles	338	0.47
	Solomon Islands	354	0.49
	Vanuatu	420	0.58
	Total	**72,423**	**100**
INDONESIA	Brunei Darussalam	2,402	3.48
MALAYSIA	Cambodia	1,125	1.63
	Fiji	953	1.38
	Indonesia	21,043	30.49
	Lao	779	1.13
	Malaysia	15,116	21.90
	Myanmar	2,834	4.11
	Nepal	963	1.40
	Singapore	8,875	12.86
	Thailand	11,069	16.04
	Tonga	319	0.46
	Vietnam	3,541	5.13
	Total	**69,019**	**100**

Table 1 (Contd)

NIGERIA	Angola	3,113	4.77	*IRAN*	Afghanistan	1,869	3.48
TANZANIA	Botswana	880	1.35	*MOROCCO*	Algeria	12,797	23.85
	Burundi	1,020	1.56		Ghana	3,940	7.34
	Eritrea	409	0.63		Iran	15,222	28.37
	Ethiopia	1,587	2.43		Morocco	6,132	11.43
	Gambia	561	0.86		Pakistan	10,587	19.73
	Kenya	2,964	4.54		Tunisia	3,115	5.80
	Lesotho	599	0.92		***Total***	**53,662**	**100**
	Malawi	944	1.45	*INDIA*	Bangladesh	5,583	10.71
	Mozambique	1,386	2.13	*SRI LANKA*	Bhutan	313	0.60
	Namibia	1,615	2.48		India	41,832	80.27
	Nigeria	17,782	27.26		Sri Lanka	4,384	8.41
	Sierra Leone	1,287	1.97		***Total***	**52,112**	**100**
	South Africa	18,935	29.03	*CHILE*	Argentina	21,421	49.36
	Sudan	1,947	2.99	*ARGENTINA*	Bolivia	1,965	4.53
	Swaziland	757	1.16		Chile	8,811	20.30
	Tanzania	2,239	3.43		Paraguay	1,249	2.88
	Uganda	2,055	3.15		Peru	6,634	15.29
	Zambia	5,141	7.88		Uruguay	3,315	7.64
	Total	**65,221**	**100**		***Total***	**43,395**	**100**
EGYPT	Bahrain	1,600	2.50	*EQ. GUINEA*	Benin	869	2.83
JORDAN	Egypt	9,687	15.13	*RWANDA*	Burkina Faso	852	2.77
	Iraq	5,290	8.26		Cameroon	2,107	6.85
	Jordan	1,955	3.05		Cape Verde	346	1.13
	Kuwait	14,061	21.97		C.A.R.	807	2.62
	Lebanon	2,280	3.56		Chad	810	2.63
	Libya	11,487	17.95		Comoros	339	1.10
	Maldives	332	0.52		Congo, D. R.	5,580	18.15
	Oman	2,190	3.42		Congo, Rep.	1,096	3.56
	Qatar	2,888	4.51		Côte d'Ivoire	3,502	11.39
	Syria	3,186	4.98		Djibouti	409	1.33
	United Arab Em.	6,367	9.95		Eq. Guinea	576	1.87
	Yemen	2,685	4.19		Gabon	1,793	5.83
	Total	**64,008**	**100**		Guinea	1,321	4.30
SWITZERLAND	Azerbaijan	1,859	3.01		Guinea-Bissau	392	1.27
POLAND	Kyrgyz	1,138	1.84		Madagascar	1,472	4.79
	Poland	13,940	22.55		Mali	1,183	3.85
	Montenegro	4,927	7.97		Mauritania	894	2.91
	Switzerland	34,835	56.34		Mauritius	1,266	4.12
	Tajikistan	1,120	1.81		Niger	908	2.95
	Turkmenistan	1,002	1.62		Rwanda	1,051	3.42
	Uzbekistan	3,006	4.86		São Tomé	324	1.05
	Total	**61,827**	**100**		Senegal	1,868	6.07
BRAZIL	Brazil	30,611	57.07		Togo	984	3.20
COLOMBIA	Colombia	7,990	14.90		***Total***	**30,749**	**100**
	Dominican Republic	2,439	4.55				
	Ecuador	3,273	6.10				
	Guyana	1,159	2.16				
	Haiti	1,069	1.99				
	Panama	2,316	4.32				
	Suriname	1,171	2.18				
	Tobago	3,606	6.72				
	Total	**53,634**	**100**				

Table 2

Analysis of Constituency Size (1)

Descriptive Statistics	No. of Countries
Median	8
Mean	9.26
Standard Deviation	5.91
Mode	1
Minimum	1
Maximum	24

(1) Computed on the 19 elected chairs.

Table 3

Chair	Voting Share of Constituency in % of Total Voting Power	Oustanding Debt of Constituency in % of Quota	No. of Constituency Members Under IMF Program	Prolonged Users of IMF Resources
USA	17.14	0	0	0
Japan	6.15	0	0	0
Germany	6.01	0	0	0
France	4.96	0	0	0
UK	4.96	0	0	0
Belgium	5.15	148.47	1	1
Netherlands	4.86	12.03	3	6
Spain	4.29	1.58	2	2
Italy	4.19	0.68	1	1
Canada	3.72	0.07	1	0
Norway	3.52	0	0	0
Australia	3.34	0.48	1	1
Saudi Arabia	3.23	0	0	0
Indonesia	3.18	4.01	2	4
Nigeria	3.01	13.91	9	10
Egypt	2.95	4.67	1	1
China	2.95	0	0	0
Switzerland	2.85	15.55	4	3
Russia	2.75	0	0	0
Brazil	2.47	378.92	4	1
Iran	2.47	24.07	2	2
India	2.40	6.15	2	2
Chile	2.00	291.92	4	4
Eq. Guinea	1.42	72.39	11	14

Three Distributions of Power – Three Patterns of Governance

Three patterns emerge reflecting relative power and position within constituencies. Some groups are heavily dominated by one country, which holds the chair and runs the constituency. A second group tends to be led by an `inner circle' of countries. A third group is more egalitarian in their organization. To some degree these differences reflect the distribution of power within each constituency. Some are clearly dominated by one country, others are relatively equal. Table 4 ranks sixteen constituencies according to the relative position of their largest members.[6] Normalising the total number of votes per each constituency to 100, we list the country having the largest number of votes as a percentage of the total votes of the constituency.[7] On Table 5 we go one step further so as to take into account the fact that other powerful countries in the group might well balance a powerful leading country. We calculate Gini coefficients to assess the degree of concentration of relative voting power within the members of a constituency.[8] The results correlate strongly with the way constituencies are run. We see this, in particular, in the way the Directorship and Alternate Directorship are rotated.

Dominated constituencies are led by countries ranking in the top seven positions of the Gini coefficient – Canada, Italy, India, Australia, Switzerland, Netherlands, Brazil, – which always hold the chair in their constituency (although this is set to change in the case of Australia).[9] In several cases the same Director has held the post for a longer period of time than most of the rest of the Board. There is a tradeoff here. A long-serving Executive Director magnifies the dominance of one country but, at the same time, long tenure gives not just that country but the whole constituency the advantage of long institutional memory and knowledge, as well as seniority on the Board. Brazil, for example, had the same Executive Director on the Board for about 30 years up until 1998. The Netherlands replaced a long-standing (8-year term) Director in 2003. Canada, Italy, India, Australia, and Switzerland tend to leave the same Director in post for about two terms, that is, four years.

In the more equal constituencies, the pattern of representation is different. In some, there is an inner group of countries, which dominate the group. Indonesia, Spain, Chile and Norway currently chair constituencies where a selected group of countries hold the chair by rotation.

SEE TABLES 4 AND 5 ON PAGE 10

Table 4

Chair	Rank	C1	Largest Member
India	1	0.80	
Canada	2	0.79	
Italy	3	0.77	
Brazil	4	0.57	
Switzerland	5	0.56	
Chile	6	0.49	Argentina
Netherlands	7	0.49	
Australia	8	0.45	
Belgium	9	0.41	
Spain	10	0.33	
Norway	11	0.32	Sweden
Indonesia	12	0.30	
Nigeria	13	0.29	South Africa
Iran	14	0.28	
Egypt	15	0.28	Kuwait
Eq. Guinea	16	0.18	Congo, D.R.

Table 5

Chair	Gini	Rank
Canada	0.903	1
Italy	0.865	2
India	0.804	3
Australia	0.795	4
Switzerland	0.724	5
Netherlands	0.686	6
Brazil	0.674	7
Nigeria	0.632	8
Indonesia	0.626	9
Spain	0.620	10
Chile	0.575	11
Belgium	0.559	12
Norway	0.557	13
Egypt	0.473	14
Eq. Guinea	0.413	15
Iran	0.410	16

In the case of the Indonesian constituency, an inner group of countries such as Indonesia, Malaysia, Singapore and Thailand chair the constituency – the former two every four years, the latter every two years. In the case of the Spanish constituency, Mexico, Spain and Venezuela hold the chair every two years. In the Nordic-Baltic constituency, the chair rotates every two years among Denmark, Finland, Iceland, Norway and Sweden. In the Chilean constituency, the chair alternates between Chile and Argentina every two years, with Peru holding it for two years about every 10 years.

In the relatively egalitarian African constituencies, the chair is rotated around the whole membership. In the 19-member African chair, an Alternate Director appointed in the previous two years is usually nominated and elected as Director for the subsequent two years. In the 24-member African constituency, the length of these appointments is longer and the Alternate Director who has served in the previous four years is typically nominated and elected for the following four years.

There are four exceptions to the overall pattern that governance arrangements reflect relative voting power within constituencies. The constituencies led by Belgium, Egypt and Iran are relatively equal – with a Gini coefficient equal to 0.56, 0.47 and 0.41, respectively – yet Iran holds the chair and has had the same Director in post for about fourteen years – giving its Director the role of Dean of the Board as its longest-serving member. Belgium too always holds the Chair in its constituency, as does Egypt[10] which also, unlike the other cases, retains the right (without a limiting constituency agreement) to choose his or her Alternate Director. At the other end of the spectrum, Australia has a predominant position in its constituency (both absolutely and relatively, as described on Tables 4 and 5) and has traditionally led the constituency providing the Executive Director every four years. However, starting from the recent elections hold in September 2004, the chair rotates between Australia and Korea at intervals of four years. With this move, the constituency has operationalised the aim of strengthening the voice of its Asian members.

The Accountability of the Chair of a Constituency

Astonishingly, there are virtually no mechanisms for holding an elected Director to account within the IMF itself, or among members of a constituency, once a Director has been elected – nor their Alternates and Advisors. One might normally expect to find recourse in employment contracts, performance reviews, termly elections, or in formal evaluations and feedback from members. One small step towards a more structured evaluation of staff under the Executive Director has been taken in the office headed by the Dutch Executive Director who has elaborated a template on which to base evaluations of his staff.

The Board of Governors has adopted no decisions or resolutions on the conduct of Directors. The only exception can be found in a sentence at the beginning of Sec. 14d of the By-Laws, which stipulates: “It shall be the duty of an Executive Director and his Alternate to devote all the time and attention to the business of the Fund that its interests require, and, between them, to be continuously available at the principle office of the Fund...” In 2000 the IMF established a Code of Conduct covering Executive Directors, their Alternates and Senior Advisors. The code mandates regular financial disclosure reports and sets out standards of ethical conduct mainly

with regard to conflict of interests arising from the function as Executive Director and the treatment of confidential information. An Ethics Committee comprising five Executive Directors was also created to consider matters relating to observance of the provisions of the code. However, in the case the Committee were to find misconduct by a Director, then – based on the seriousness of the conduct – it could at most issue a warning to the relevant Director and transmit it to the respective Governor. This is the only formal mechanism of accountability in relation to all elected Executive Directors during their term of office. Executive Directors are essentially held to account through their links to national authorities (which vary considerably), through moral suasion within the IMF Board, and through their (very broad) collective accountability to the Board of Governors.

The position of elected Directors contrasts strongly with that of the five appointed Directors on the Board of the Fund – who make up 39% of the total voting power (Table 3) – and can be held directly to account by their respective governments, in effect dismissed and replaced at will. By contrast, "…a member that elected or helped to elect an executive director has no right to terminate his service, and he remains in office until the term of two years for which he was elected has expired. A member may be able to induce him to resign before his term expires, but the Articles give no member a right to require resignation." (Gold 1974, 65).[11] In other words, once elected, an Executive Director may serve a two-year term with little incentive to be accountable to his or her constituency. Indeed, elected directors owe a much clearer allegiance to the institution whose interests they must safeguard, even ahead of representing their constituency interests.[12] For instance, it is an obligation of the Executive Board to ensure that Fund's general resources are made available to support balance of payments problems of a member country under adequate safeguards (Art. V, Sec 3). Thus if a Director did not act conforming to this provision, he would be in breach of his obligations to the Fund. Clearly, this would limit his ability to foster his constituency interests whenever there would be a clash with his duty as a Board member. In other words "the fact that he has been selected by certain member states does not create an obligation for him to defer to their views or to cast his votes in accordance with their instructions. His votes are valid even if they are inconsistent with any instructions he may have received from his constituents." (Gianviti 1990, 48).

In other organizations the tension between representing countries and serving a technical organization has been resolved either by bolstering the independence of the Board – as in the case of the European Central Bank – or by making the Board more directly politically accountable. In the IMF the tension remains. The argument for a more independent Board has been made by several commentators (De Gregorio et al 1999). However, it rests to some degree on a belief that the institution can be held to account purely by examining its outputs and impact – just indeed as a Central Bank might be judged by its success in containing inflation. This presumes that the IMF's decisions are narrow and technical enough to be evaluated in a way, which can hold the Board collectively to account.[13] In practice the Board makes decision of a more wide-ranging `political' nature – and indeed is politically divided on some issues. This thrusts the onus of reform back to making the board more accountable through representation or the process by which decisions are made.

At present elected Executive Directors tend to be held to account by their own national authorities (who appointed them) but they are not held to account by other bodies within their own country or in other countries in their constituency. By contrast, appointed Directors have

much stronger links. For example, in the United States the appointment of the Executive Director has to be approved by the legislature, and this typically establishes a close link with the newly appointed Director who may be called to testify as deemed appropriate by the legislators. Furthermore, the US General Accounting Office has reviewed aspects of the work of the Fund Board. In other countries, Parliaments could play a much larger role scrutinising the appointment of the Director, which represents their country in the IMF. Regular and public reporting should include reports back to Parliaments with testimony by the Director concerned. Such steps would build on the practices of existing Executive Directors who regularly consult with Parliamentarians in their constituency countries. All of this, of course, requires that constituencies be reshaped (and in several cases made smaller) so as to make a reasonable system of consultation, report and accountability possible.

Finally, elected Directors consult and report to their member countries in different ways, some highly-structured others informal and sporadic. Some Executive Directors use their Secretariat in Washington to prepare their own positions at the Board with little recourse to officials outside of their own country, while others rely on an extensive web of institutional relationships in their own constituencies.

A highly structured and informative exception is the Nordic-Baltic constituency which regularly consults and solicits input, views and comments from respective capitals, shaping common positions on strategic issues through dedicated high-level committees such as the Nordic-Baltic Monetary and Financial Committee (and its alternate) which ensures that high-ranking officials regularly communicate. On the day-to-day work of the Executive Board, the Nordic-Baltic constituency also confers – not in Washington but in their own region. The country holding the chair will circulate to the other capitals a draft instruction on key items coming before the Board soliciting comments. The chair also prepares a report on a semiannual basis, following the Spring and Annual Meetings, where the most important discussions held by the Board in the previous six months are summarised and the positions taken by the Nordic-Baltic chair detailed. Notably, since the Spring 2004 these reports have been published on the websites of the ministries and central banks of the constituencies. In the Nordic-Baltic constituency the fact that regular consultations are undertaken *in the region* as opposed to in Washington is worth remarking since this enhances the potential for engagement, accountability and capacity of finance ministries within each member countries. The reporting and transparency of the group's recording of its positions and actions on the Board further deepen this effect.

In sum, constituencies are not written in stone in the IMF's Articles of Agreement. They have evolved as a reflection of countries' choices. They are governed in very different ways although the structure within each constituency tends strongly to be shaped by the distribution of power within it. For all these reasons, constituencies offer a flexible and adaptable form of collective representation. However, the accountability of the representatives of constituencies varies markedly across the range of constituencies we have examined.

What Determines the Influence of a Constituency?

In this section we explore four factors that might affect the degree to which groups of countries can influence the agenda and policies of the IMF. In international relations a vast

literature on cooperation, alliances, cartels, clubs and coalitions examines what kinds of gains different groupings might aspire to, with whom countries are most likely to make common cause, and what kinds of instruments they are likely to be able to use. That literature forms a useful backdrop to our inquiry into why and how we might observe `the success of one group in obtaining compliance with its wishes regardless of the opposition of others' (Martin 1992, 2).

Maximizing Voting Power

Voting power is important within the IMF. Although the Executive Board rarely votes, the necessary `consensus' for any decision is deemed to have been reached when Directors wielding the requisite voting power have signaled their agreement.[14] Decisions are typically made on the basis of simple majority (Art. XII, Sec. 5c). However, exceptions to this rule have grown over time and some decisions require special majorities of 70 or even 85% of the votes cast. This gives powerful member states more scope to block or veto decisions. For instance, decisions concerning changes in obligatory periods for repurchase, sale of gold and allocation of SDRs, require a supermajority of 85% – this gives the US with its 17% of votes a veto power. Other decisions related to the determination of the rate of charge or remuneration, and the determination of the rate of interest on SDRs require a 70% of the votes cast (IMF 2001a).[15]

As one former African Executive Director has argued, vote-poor constituencies must marshal very widespread support if they are to mobilize a coalition within the IMF Board on an issue (Rustomjee 2003). Little surprise then that some constituencies have actively sought to increase their members and thereby their collective share of voting power. For example, the constituencies led by the Netherlands and Belgium have increased their voting power by luring new members to their ranks (Table 1). When Switzerland joined the IMF in 1992, it also used a combination of diplomacy and incentives to attract new former Eastern-bloc countries to join with it in a constituency.

But how far can countries take the strategy of increasing their membership to maximize their voting power? Coalition theory reminds us that the greater the number of participants in a coalition, the more difficult it is to maintain unity and coherence. Hence coalitions tend to form which are just as large as participants believe will ensure winning and no larger (Riker 1962). Put more simply `small groups are more likely to solve the collective action problem compared with groups of many nations' (Sandler and Hartley 2001, 891). The larger the group, the more free-riding is likely within it and the more difficult it is to hold members to an agreed-upon position or action – although some theorists suggest that greater numbers can give some `padding' which mitigates the risks and the costs of defection (Frohlich et al 1971). In the IMF the optimal constituency will need to be small enough to ensure that members can forge and implement a shared agenda in a coherent and well-managed way. The median size of current groups of countries in the IMF is eight but there is a lot of variance (Table 2). Some constituencies are relatively small such as the four-country India-led group. The largest is the 24-member Africa group (Table 1).

There is little connection at present between the number of countries in a constituency and its relative voting power, as can be noted from Table 3. The constituencies with the largest collective votes include the Belgium-led (with 10 members and 5.15% of total voting power), the Netherlands-led (12 members and 4.86% of vote) and the Spain-led (8 members and 4.29% of the

vote). Meanwhile, the constituencies led by Brazil, Iran, India, Chile, Equatorial Guinea are all on or below the 2.47% threshold of votes. The smallest share of votes is held by the constituency with the most members – the African group currently led by Equatorial Guinea – which has just 1.42% of the total voting power. Although building up numbers results – at the margin – in an increase in the voting share, a simple linear correlation analysis between the number of members represented by each chair and their related voting power yields a negative or no statistical pattern at all.[16]

In previous periods an allocation of basic votes to every members of the IMF ensured a slightly more equal distribution of votes among member states (Lister 1984, Woods 1998, Boughton 2003).[17] At the founding of the institutions, basic votes represented just over 10% of votes whereas they now represent just 2.8% of total votes in the World Bank and a similar proportion of votes in the IMF. The result has been subtly to bolster – over time – the erosion of equality among members in the institution. If basic votes were to be brought back to their original level, in the 23 member African constituency of the World Bank voting power would rise from 3.41 to 4.06%. In the 25-country African constituency, voting power would rise from 1.99 to 2.81% (Development Committee 2003, 2004).[18]

A more promising change, which would permit smaller, more effective constituencies, would be an extension of the double majority voting requirement currently in the IMF's Articles of Agreement (at present required to amend the Articles or to expel a member or deny a member benefits). This requires both 85% of voting power and a 60% majority of members to agree with a decision. Other international organizations also use double-majority voting (e.g. the EU Council of Ministers, the Global Environment Facility in the World Bank). The effect is to provide an incentive for a wider range of countries to be consulted and brought into the decision-making process. Hence if double-majority voting required 50% of votes and 50% of members, the G7 which commands just over 45% of voting power would need to find not just one further Executive Director's vote in order to pass a decision but also the support of half the membership. This would immediately create an incentive for the powerful members of the Board to forge alliances with numerically-larger developing country constituencies.

Smaller constituencies would facilitate more effective consultation and representation of specific country interests. Larger numbers make it more difficult to arrange consultations with national governments and make the job of effective preparation, representation, and advocacy more difficult. The Executive Director and constituency officers need to play an active role in preparing and monitoring reviews of country programs, Board discussions about members, missions to countries, as well as constituency positions on broader policy issues. In practice, a large constituency makes this an unbearable workload.

Take the 24-member African constituency. Some 21 countries in the constituency are IDA-eligible (very low income). If we assume that all are within PRGF-supported programs, the Executive Director's office should be involved in some 42 on-site missions, which present PRGF semiannual reviews to the Executive Board. There is then the work required to liase with their 24 country authorities and assist them in the preparation of Article IV Consultations (typically on an annual basis), PRSP Joint Staff Assessments or informal Board meetings on country matters designed to provide Board members with timely updates on country developments. Further to this work, since most countries (19 out of 24) are eligible for debt relief under the HIPC Initiative, the

Executive Director and other officials will also have to prepare for Board discussions on the decision and completion points documents as their member countries progress under the Initiative. There are also field missions for those members undertaking a voluntary assessment of international standards,[19] other missions related to Financial Sector Assessment Programs,[20] as well as possible technical assistance missions. On top of all of this, the Executive Director as a member of the Executive Board is "...responsible for conducting the business of the Fund..." and oversees the whole range of activities and policies carried out by the institution (Art. XII, Sec.12a).

These stylized facts show the considerable asymmetries faced by Executive Directors in terms of accountability and the ability to effectively represent interests of their own country authorities within the IMF Board room. In particular, the 5 appointed Directors entail an institutional gap along those dimensions, which has grown wider with the addition of the 3 single-country chairs. Unduly large constituencies should not be regarded, however, as a necessary by-product of IMF representation. Even if we would restrict ourselves to options that would not require a change in the Articles of Agreement, spreading out members across the 19 elected Executive Directors would result in an average size of about 9 members per constituency. If we were to take a broader view and consider also the 5 appointed Directors—which would however require legal amendments—then the average constituency would go down to 7 or 8 members.

Practical reasons for limiting numbers in each constituency force us to consider carefully the choices available to smaller, less powerful states within the IMF. Joining force with one another does not give them adequate voting power to set or influence the agenda – particularly given the current decision-making rules. Are there alternative strategies available? One option is for small states to `band-wagon' or throw their lot in with powerful members. In studies of alliance behaviour, bandwagoning is most likely the weaker the state and therefore the more threatening and immediate the potential costs of the opposite policy of `balancing' against the strong (Walt 1987). Typically, states that choose to oppose or balance against powerful states in the international system are middle-sized such as France, Brazil, or India, particularly where they wish to maintain the status quo against a powerful state which is trying to change the system (Schweller 1994).

What does this mean for the IMF? In making decisions about which constituency to join, countries have typically focused on their position relative to others in the group rather than optimizing the collective voting strength of the group. Yet if they simply wanted to maximize their voting power, any small country could seek to join one of the three large powers currently in constituencies of one – China, Saudi Arabia and Russia. Regardless of whether the latter would be keen on taking on board other members in their constituencies, such instances highlight other factors critical to the success of a coalition or constituency. Prime among these is the capacity to forge and implement a shared agenda.

Sharing an Agenda

A common negotiating position has to be possible if a coalition is to be effective. Yet the more wide-ranging one's partners, the more difficult it is to forge a common agenda. Trade theorists highlight that mixed-interest coalitions find it much easier to forge a blocking or

negative agenda than a positive, negotiating one. The more disparate the interests of the group, the more difficult it will be for them to agree on any concessions within negotiations (Hamilton and Whalley 1989, Narlikar 2003). The result is to focus on distributive strategies, which redistribute gains and losses among all participants in negotiations. More unified groups, by contrast, will pursue more integrative strategies which increase the size of the pie for all (Odell 2000). The risk in pursuing a strict distributive strategy is that it can easily lead to no deal or the fragmentation of the group – as amply displayed in trade bargaining (Narlikar and Odell 2003).

In the IMF there are several sets of crosscutting interests among members. The Executive Board makes decisions on approving loan proposals and setting charges, on broader policies such as crisis prevention and resolution, low-income countries, and conditionality guidelines, and in respect of membership (admissions and suspensions). Further to this, the Board reviews and monitors the work of the IMF staff and management, and created the Independent Evaluation Office in order to assist it in this. In respect of most of these decisions, there are distributional consequences.

The financial arrangements of the IMF create clear sets of interests among borrowers and non-borrowers. Borrowing members pay charges on what they borrow. These charges are levied to finance the operational and administrative expenses of the Fund. In essence, they are `cost-plus' whereby the basic rate of charge is set as a proportion of the SDR interest rate in order to generate enough resources to cover the administrative expenses of the organization and to allow for additions of precautionary balances (Rule I-6(4)).

Decisions to increase borrowing charges pit the interests of those who have to pay them against those who do not. Similarly, decisions to undertake research or other activities, which increase the costs of the organization have material consequences for those who pay through borrowing charges. Little surprise then that it tends to be the non-borrowing countries that demand more and more of the IMF – thereby increasing the expenses of the organization, which have to be paid by borrowers. IMF (2001) contains a breakdown of the costs of financing the IMF's administrative expenses and precautionary balances and shows that, in the period from 1980 to 2000, borrowers have raised their relative contribution from 28 percent to 71 percent. Almost symmetrically, creditors have decreased their contributions from 72 to 29 percent. This is not to overlook the significant role played by creditors in providing lending resources, but it does illustrate, over time, the increasing role taken by borrowing members.

There are several general activities undertaken by the IMF for the benefit of all members. These include contributions to crisis prevention and resolution, multilateral surveillance, the assessment of international standards and economic research. Since 1999, the IMF's oversight of exchange rate policies of members and the smooth and effective functioning of the international monetary system has been expanded to include the development of benchmarks of good practices on data dissemination, fiscal transparency, monetary and financial policy transparency, and in banking supervision (in cooperation with other agencies). The IMF has produced 343 ROSCs (Report on the Observance of Standards and Codes) for the 89 economies who had volunteered by the time of the latest review in 2003. These reports help to pinpoint areas of institutional weakness, advise policy actions and focus technical assistance (IMF 2003a). Similarly, the IMF and the World Bank have developed the Financial Sector Assessment Program (FSAP) with the aim of detecting potential vulnerabilities in the financial system of member countries and

reducing the likelihood and magnitude of financial crisis. Some 95 countries have participated in this voluntary scheme since its introduction in 1999 (IMF 2003b). Admittedly, these recent initiatives have sparked a wider debate in the literature. For a critical review, see Soedeberg (2003), who, with reference to the ROSC on corporate governance, argues that it has been designed to protect the interests of institutional investors based in market-centric systems, such as those of IMF's major shareholders.

IMF surveillance results in a high degree of active engagement with the IMF by some constituencies including non-borrowers. For example, in the Nordic-Baltic constituency we find the highest number of voluntary assessments on standards and codes (ROSCs) and on the stability and soundness of their respective financial systems (FSAPs). As of December 31 2003, the constituency as a whole had undertaken 45 module assessments of various standards and codes, 5 Financial Sector Assessment Programs (FSAPs) for as many members, while the remaining two countries – Norway and Denmark – will be assessed in the very near future.

Who pays for the surveillance work of the IMF? Most of the cost is borne by the IMF (and World Bank where it participates) as part of administrative and operational expenses which is then passed on to borrowers through charges. ROSCs on fiscal and data transparency are performed entirely by Fund Staff. ROSCs relating to the financial sectors as well as FSAPs are assisted by national agencies, which provide about 20% of professionals working on such assessments. The rest of the cost is borne by the IMF and World Bank (which participates in FSAPs in non-OECD countries).

More generally, the costs of most of the `public goods' functions undertaken by the IMF fall mostly on the shoulders of borrowing members. A small effort made to ensure non-borrowers contribute has shriveled into virtual insignificance. Non-borrowers are supposed to `burden-share' by accepting a reduction in the interest rate paid by the Fund to those members making their own resources available for Fund's financial arrangements. In practice, in the fiscal year 2004 `burden-sharing' drew in SDR 55 million from creditors of a total income of SDR 2,325 million from charges, surcharges, service and stand-by charges, and burden sharing (IMF 2004b, 2001a, 2001b).[21]

The split between the interests of borrowers and non-borrowers is not the only one in the IMF. Among borrowers within the IMF there are also several divergences of interest. For example, emerging market borrowers benefit from measures, which help them to mitigate contagion and a loss of confidence in private capital markets. This means they favour rapid access to large amounts, with low conditionality, at charges comparing favourably to market-based interest rates. This lines up these countries in favour of facilities such as the now-expired CCL and similar arrangements, which might be activated in the future.

Low-income borrowers are treated differently. Since 1998, many of these countries have sought assistance from the PRGF-HIPC Trusts, which are funded largely by industrial countries. In respect of these operations, the IMF forgoes reimbursement of related administrative expenses – in effect contributing some IMF resources to the Trust. For emerging market borrowers this imposes a cost since any `IMF contribution' essentially entails financing expenses through the rates of charge on Fund's GRA resources. Put another way, it is emerging market economies that bear most of this cost (IMF 2004a, 2004b).

The divergence of interests between emerging market and developing countries is to some degree reflected in constituencies within the IMF. Most countries presently eligible for debt relief under the HIPC Initiative are with the two African constituencies. The 24-member group has 19 HIPC countries, of which five (Central African Republic, Comoros, Republic of Congo, Cote d'Ivoire and Togo) are potentially eligible but have not yet qualified for debt relief, ten have already reached the decision point (Cameroon, Chad, Democratic Republic of Congo, Guinea, Guinea-Bissau, Madagascar, Niger, Rwanda, Sao Tome and Senegal), and four have graduated from the Initiative (Benin, Burkina Faso, Mali and Mauritania). In the 19-member constituency, we find ten more HIPCs, of which Burundi is potentially eligible, six have passed the decision point (Ethiopia, Gambia, Malawi, Sierra Leone, Sudan, Zambia) and, finally, three have reached the completion point (Mozambique, Tanzania and Uganda).

Other constituencies comprise mainly emerging market economies – or non-IDA-eligible countries – such as the two South American chairs and the Middle-East constituency. The Southeast Asian case includes one country, which is both an emerging market and a low-income country – Indonesia.

Should low-income and emerging economies join to bolster their collective voting power, in spite of sometimes diverging interests? The low-income constituencies have voting shares of 2.4% (India-led), 3.01% (19-member Africa) and 1.42% (24-member African group). The emerging market constituencies have 2.47% (Brazil-led) and 2% (Chile led). Taken alone it is hard to see that strong voting-power gains would be made from low-income borrowers joining emerging market borrowers. Mixing borrowers and non-borrowers in the same constituency makes a larger gain in voting strength, but this could stretch common interests yet further.

There are several mixed constituencies in the IMF. In the Central American constituency, the inclusion of Spain, Mexico and Venezuela bring the group's voting power up to 4.29%. The constituencies led by the Netherlands and Belgium are others in which vote-poor states gain in collective strength from association with countries (Netherlands and Belgium have respectively 4.86 and 5.15% of votes in the IMF). The question posed is whether mixing borrowers and non-borrowers results in trade-offs in the agenda, which are costly to borrowers. This risk is sharpened by the membership of many constituency-non-borrowers in other coalitions such as the G7 and EURIMF, about which we will say more below.[22]

What does the record suggest? First and foremost it is vital to note that the formal `record' of positions taken on the Board of the IMF is not available for scrutiny except after at least five years under the IMF's archives policy. This poses a serious accountability gap in the organization. Analysts have called for greater transparency in the operations of the Board, with recorded votes subsequently being made public at the cornerstone of such proposals (De Gregorio et al 1999, Woods 1999). However, at present there is no such requirement. Under present arrangements, the recent positions of constituency chairs can only be ascertained through interviews and in some cases through reports Directors make to their own home ministries and agencies.[23] Impressionistically, the four `mixed constituencies,' which are led by non-borrowing members seem to act in somewhat different ways. Two constituency leaders (Belgium and Spain) are said by several members to advance the views of their borrowing members. The other two (led by the Netherlands and Switzerland) are seen as siding more often with creditors. Why is this?

One obvious explanation is that the material interests of the Netherlands and Switzerland lie more with other creditor members than do those of Belgium and Spain. Indeed, the Netherlands Ministry of Finance includes in its explanation of its stance on the IMF that: "The Netherlands have an interest in a stable international financial and monetary system and as such with the activities of the IMF. The Dutch economy is very open and the financial sector is large and internationally orientated with sizeable investments in upcoming economies".[24] Switzerland, of course, also has a large and internationally oriented financial sector. The evidence bears this out. Switzerland and the Netherlands are among the top eight countries in the world holding the largest portfolio equity assets and liabilities (Lane and Milesi-Ferretti 2004, 30). That said, Belgium is within the top five countries holding the largest portfolio equity assets in offshore and financial centres (Lane and Milesi-Ferretti 2004, 38).

Doubtless there are some differences in the material interests of Switzerland and the Netherlands on the one hand and Belgium and Spain on the other. However, whilst financial sector interests indicate the preferences of each of these countries, they cannot fully explain why that individual country's preferences would prevail over all other countries within the constituency. One potential factor is relative power within constituencies and the capacity of borrowing members to counter-balance the power of the non-borrowing chair-holder.

Relative power within constituencies can be examined by returning to our analysis of voting power within constituencies. Using Gini coefficients we compute the configuration of power within each grouping (Table 5). In the Belgium-led group votes are relatively equally spread among members (it has the 5th lowest Gini coefficient at 0.55). Furthermore, the non-borrowing members Belgium and Austria are held to account by two large borrowing members – Turkey (with 8.9% of votes in the constituency, as from Table 1) and Hungary (with 9.5%). The Spain-led constituency is slightly less equal (Gini of 0.62 which is the 10th highest). However, Spain (with its 33% of the constituency votes) is strongly held to account by Venezuela (with 29% of votes) and Mexico (with 28% of votes).

The constituencies led by the Netherlands and Switzerland are very differently configured. In both constituencies votes are not very evenly spread across the constituency. The Netherlands-led group has a Gini of 0.69, which is the 6th highest among constituencies. The next two largest countries in that constituency are Ukraine (with 13% of the constituency's votes) and Romania (with 10%). The Switzerland-led constituency has an even higher Gini of 0.72 making it the 5th most unequally distributed-vote constituency. The conclusions are relevant for developing countries considering with whom to form a constituency within the IMF. They highlight the importance of the overall configuration of power within the constituency and the extent to which this is likely to impact on the group's leadership and agenda.

In conclusion, a shared agenda is easiest to forge where members of a coalition share interests. However, in the IMF there are advantages to be reaped from forming mixed constituencies. These include increases in collective voting power and greater resources from which to build lobbying power. The trade-offs in terms of compromising the agenda can be mitigated by a spread of voting power across the constituency, which permits borrowing countries to hold non-borrowing Directors to account.

Unity Within the Constituency – Beyond Shared Interests

Shared material interests and the distribution of votes within a constituency may not exclusively shape unity and coherence within the constituency. Unity can also be fostered by shared ideals, values and goals and through institutions – both formal and informal – which assist countries in pursuing greater cooperation.

Within the IMF, several features seem to bind or keep apart groups of countries. A first obvious feature is geographical proximity. Coalitions of countries can build on existing regional relations – often based in trade relations – which help to consolidate shared interests and often involve pre-existing institutions and relations which help to forge common positions. This is not always reflected in constituencies – Argentina and Brazil, whilst at the core of MERCOSUR are in different constituencies within the IMF. Another feature is shared (or not shared) geostrategic interests – Serbia was keen not to be with Croatia, Slovenia or Albania in any constituency. Finally, the overlap between a constituency and international coalitions or networks can influence the agenda and unity of a group of countries. Below we examine groups such as the G7, EURIMF, and the G24 and how effective they have been in forging shared positions within the IMF.

Specific institutions can also facilitate the unity of a coalition. The capacity to verify and enforce agreed behaviour will likely erode with a large number of participants unless there are powerful institutions to mitigate this or clear leadership or a hierarchy within the group (Milner 1992, Keohane 1984). Side-payments and additional benefits can be given to enhance unity. In the IMF, examples of this include the technical assistance Italy gives to some members of its constituency. Canada is a major donor to many of the Caribbean countries in its own constituency and so is Switzerland.

Finally, unity within constituencies in the IMF is bolstered by regulations governing the Executive Board, which envisage that only one representative for each chair may join the Board and take part in discussions. Similarly, whenever a vote is called, the Director casts the votes for the whole constituency as no splitting is allowed.[25]

Lobbying Capacity and Technical Support

A final element for effective collective diplomacy is the capacity to marshal resources to build a case and lobby for it. This is particularly important for smaller or under-resourced countries. The number of officials constituencies can call upon to back up their own representatives at the IMF Board varies considerably, reflecting the domestic importance attached to IMF policies, the availability of financial resources and, most importantly, the access to professionals with adequate skills. While the US devotes some 30 people to support the work of its chair at the IMF Board, the Nordic-Baltics leverage some 40 officials throughout the members of their constituency. As large as it may seem, this number is however only a fraction of the resources devoted by the whole European Union, feeding into the work of committees and subcommittees providing constant input into IMF decisions.

By contrast most developing countries lack dedicated staff in their respective administrations. Executive Directors have to rely upon personal relations with the highest-

ranking officials in members of his or her constituency. Their positions tend to emanate from sparse communications, discussions and input. Acknowledging this situation and with the aim of strengthening the representation of its low-income members, in 2003 the Board decided to provide greater support to the African Executive Directors by increasing the number of advisory staff in their respective offices. Obviously, although very helpful, this measure alone is unlikely to re-equilibrate significantly the resource gap faced by developing – in particular low-income – countries in representing their own cases at the Board.

Real decision-making in the IMF starts well in advance before an item is formally brought to the Board, as Staff carefully prepare their proposals. The scope for bargaining and negotiation over details occurs outside of the Board – in iterative and informal communications between national authorities, Board representatives, and management and staff within the IMF. Once a proposal reaches the Board, it is essentially either for approval or rejection at which point constituencies might express reservations and views about the content of a loan agreement, but unless they are willing and able to reject the loan, it is unlikely that such views would result in a rewriting of it.

In sum, the capacity of any group of countries to influence the agenda and policies of the IMF will depend on the formal power they wield, as well as the degree to which they share interests or other reasons for unity. We have also seen that constituencies are greatly advantaged if they have a capacity critically to evaluate the technical material the IMF staff are presenting. This kind of evaluation can take place only in countries with well-staffed specialist agencies equipped to digest and respond to this material. Equally, an advantage is enjoyed by constituencies with an ongoing engagement with staff and management in the IMF in Washington and a capacity to lobby and debate with other (especially powerful) Board members not just in Washington but also in the other forums in which influential Board members participate. Here groups of developing countries soon come up against formidable coalitions, which operate across constituencies and tremendously affect politics within the IMF Board.

Other Coalitions Within the IMF

In this paper we set out to probe variations in the degree to which countries are represented on the Board of the IMF. This far we have analysed the structure of representation within the Board. In this last section we turn to analyse coalitions which exist outside of the Board but which influence the degree to which countries are represented within the organization.

Outside of the Executive Board of the IMF there are several powerful groupings of countries, which wield considerable influence over Fund policy. They impact directly on constituencies in a number of ways. Overlapping membership can mean split loyalties for countries. For example, if the G7 takes a position at odds with the membership of Canada or Italy's constituency members, the positions of the Canadian and Italian Executive Directors on the Board are difficult. Equally importantly, crosscutting groups within the IMF are worth examining to ascertain how and why collective representation works outside of formally organized constituencies.

The Group of Seven

The most powerful coalition within the IMF is without doubt the G7 Finance Ministers countries who account for 47.13% of the total voting power at the Board.[26] A recent report on the IMF highlights the extent to which this group have taken up a *de facto* management and oversight role of the institution (Kenen, Shafer, Wicks, and Wyplosz 2004). Even though they do not form a majority, they are a powerful block around which to aggregate additional votes.[27]

The G7 Finance Ministers and Deputies are a well-institutionalized group. Ministers, central bank governors and deputies meet before the Spring and Annual Meetings to coordinate the group's position and to issue a press communiqué. They discuss the outcome of these meetings with the press to make sure that their policy stance becomes well known. Yet more importantly, Deputies communicate regularly to coordinate G7 positions on IMF policy and global financial and monetary stability in general, holding regular conference calls which include briefings by senior IMF officials as to what issues need to be resolved (Bini Smaghi 2004).

The G7 discussions, proposals and agreements feed into the activities of G7 Executive Directors who coordinate among themselves on a wide set of issues, ranging from the international financial and development architecture to major country cases. Their work is coordinated by a presidency rotating on an annual basis among its members, who usually calls the meetings, may draft a set of notes as basis for discussions and coordinates the debate with the aim of forging a common position. Whenever deemed relevant, the outcome of this coordination is communicated to Management.[28]

The EURIMF

European countries form another coalition within the IMF. The EURIMF consists of all the representatives from EU countries, including not only Executive Directors or Alternates but also their Advisors, in those cases when the latter are from a different country than the former. Representatives from the European Central Bank (ECB) Permanent Office in Washington – who has observer status at the Board – and the European Commission (EC) Delegation are also part of this group. Coordination in EURIMF started at the European Council in Vienna, in December 1998 and by early 2001 a dedicated working group was created within the Economic and Financial Committee (EFC),[29] which in 2003 became a permanent Sub-Committee on the IMF (SCIMF).

The EURIMF acts when the Brussels Sub-Committee has been able to achieve a Common Understanding endorsed by the EFC. In recent times coordination has occurred on main policy issues, such as crisis prevention and resolution, the role of the IMF in low-income countries, IMF conditionality and Bank-Fund cooperation, to which, more recently, select country programs and surveillance cases have been added. It tends to be strongest on issues related to the euro when the Board's representative from the country holding the EU Council rotating presidency makes a statement with previous input from the ECB and the other EU Board's members, to which the latter associate in the ensuing discussion.[30] Along similar lines, when the finance minister from the country holding the EU Council presidency gives a speech at the semiannual meetings of the IMFC, such a speech has been prepared by the SCIMF, endorsed by the EFC and approved by

the Council of EU Finance Ministers (ECOFIN), in a meeting taking place in the month preceding that of the IMFC.

The European coalition has formal mechanisms for coordination but it is hampered by its multiple layers of coordination – in hierarchic ascending order EURIMF, SCIMF, EFC, ECOFIN – based in Washington, Brussels, and the European capital of the country holding the presidency (which rotates on a semi-annual basis). It also lacks a stable interlocutor for the IMF Management, other non-EU Board members and Staff – the rotating Presidency gives little chance for a blend of trust and skillful diplomacy to gel. Finally, among EURIMF members there is no *ex ante* commitment to achieve a common position. This feature, compounded with the current constituency-based system, amplifies the incentives to underscore differences rather than finding common ground.[31]

The Group of 11

A much less powerful coalition is that of developing countries. The G11 brings together developing country Directors within the IMF and operates at the level of the Executive Board in a much less structured way than the G7. The G11 Directors meet periodically to discuss respective positions on major policy issues and country programs. Their Finance Ministers or senior officials meet informally at the time of the Spring and Annual Meetings. Notably, the G11 does not pool eleven countries but eleven constituencies.[32] As a result, the membership of the G11 is *exercised* by the 11 countries holding the chairs of their respective constituencies at a given moment in time, currently Egypt, Indonesia, Equatorial Guinea, Nigeria, Iran, Brazil, Chile, Saudi Arabia, India and Mexico.[33] Currently, the Egyptian Executive Director who heads the constituency for the Middle East holds the presidency of the G11. The presidency is an elected appointment with a one-year term and may be renewed.

Like the G7, the G11 is recognized as an interlocutor by the IMF Management and provides an important forum for developing countries to discuss issues of particular concern to them, to forge common positions and to interact on a sound footing with the G7. For instance, the *impasse* reached by the Board on the issue of transparency was overcome in 2003 through negotiations between the G7 and G11 with the mediation of Management (Bini Smaghi 2004). That said, the G11 is a relatively highly heterogeneous coalition based on various dimensions, geographic (Asia vs. Africa, Middle East vs. Latin America), degree of development of its members (emerging vs. low-income countries), cultural (Islamic vs. Latin countries), that on balance make it difficult for its members to systematically coordinate their own positions. Its foundations are weak, relying on already weak channels of communication within constituencies and attempting to build from them a coalition among constituencies.

The Group of 24

The Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G24) was established in 1971 to concert the position of developing countries on monetary and development finance issues. Its 24 members are drawn from Africa, Latin America and the Caribbean, and Asia. Its meetings also include other developing countries and the People's Republic of China which enjoys the status of `Special Invitee' and addresses the plenary sessions of the G24.[34]

Like the G7, the G24 is a ministerial-level Group which meets twice a year (at Minister or Deputy level) preceding the Spring and Fall Meetings of the IMF and World Bank. The group issues a communiqué at a press conference at the end of the meetings which are organized by the chair which (again like the G7) rotates around the membership and is assisted by two vice-chairs from the remaining two regions within the group.

Unlike the other groups mentioned, the G24 has a permanent Secretariat in Washington, housed within the World Bank. The Secretariat commissions research, runs technical meetings for the group, and assists in coordination. That said, the G24 does not operate at the Board level as a strong coalition coordinating positions or holding regular discussions in the same way as do the G7 and EURIMF. Nor does the group communicate or coordinate policies outside of the formal, scheduled meetings mentioned above.[35]

The Asia-Pacific Group

Another coalition of selected members of the Executive Board is the so-called Asia-Pacific Group which is used by the Australian, Chinese, Indian, Indonesian and Japanese chairs as an *ad hoc* and informal forum for exchanging views and discussing issues of common interest with the aim of trying to shape a common Asian-Pacific position. The coalition is a very informal one which meets as needed to discuss relevant issues concerning IMF policies rather than country cases. It is chaired by Japan for whom it offers an opportunity to garner support on issues of major concern to G7, as well as to inform Japan (and through Japan, the G7) about major concerns of the region. The relative diversity of the coalition membership has meant that it is rarely able to forge a common view, with one notable exception on the issue of quota and representation, on which the group has consistently claimed a greater role for the region in the governance of multilateral financial organisations.

The Experience of Cross-Cutting Coalitions

Cross-cutting coalitions are a pervasive feature of informal politics within the IMF. What stands out is that every chair – except Russia – on the Board belongs to at least one cross-cutting coalition and some belong to more than one, as can be seen from Table 6. For instance, Japan is both a member of the G7 and the Asia-Pacific group. The Indonesian chair is a member of both the G11 and the Asia-Pacific Forum. Among the European chairs, Italy is part of the G7 and also EURIMF.

There are several advantages to membership of cross-cutting groups. They serve to leverage access to Fund senior management and staff, where one country alone may not `get the ear' of senior officials. They serve as an important forum for discussing issues and deriving a better sense of the institution, its agenda and the implications of items on the agenda. Grouped together countries stand more chance of setting the agenda or blocking it on a specific issue. Coalitions also serve to assist in finding collective solutions and to leverage access and input into knowledge and research.

Cross-cutting coalitions pose a genuine question for members as to which grouping has their first loyalty. Italian official Bini Smaghi resolves this in respect of EURIMF and the G7 by

noting that European cooperation cannot be alternative to the G7, given that European members do not have adequate decision power to pursue their own agenda independently from G7 cooperation (Bini Smaghi 2004). Obviously this is easily conceived for Italy which chairs its IMF Board constituency and participates in both G7 and EURIMF. A potentially less easily resolvable tension could arise in the constituency chaired by Canada which is a member of the G7, and in which Ireland is the Alternate Director and a member of EURIMF. Similarly, in the constituency currently chaired by Spain (a EURIMF member), Mexico and Venezuela are both in the G11. The challenges here arise not as EURIMF versus G7 but of creditor versus debtor countries within the organization.

Beyond split loyalties, the cross-cutting coalitions outside of constituencies which exist in the IMF highlight the importance of lobbying, preference-formation and bargaining across different dimensions outside of the IMF's formal processes. For developing countries this underscores gaps in the way their own coalitions are organized, highlighting areas where coordination and cooperation could be vastly improved.

SEE TABLE 6 ON PAGE 27

Table 6

Chair	G7	EURIMF (1)	G11	Asia-Pacific Forum
USA	yes			
Japan	yes			yes
Germany	yes	1		
France	yes	1		
UK	yes	1		
Belgium		7		
Netherlands		2		
Spain		1	yes	
Italy	yes	4		
Canada	yes	1		
Norway		6		
Australia				yes
Saudi Arabia			yes	
Indonesia			yes	yes
Nigeria			yes	
Egypt			yes	
China			yes	yes
Switzerland		1		
Russia				
Brazil			yes	
Iran			yes	
India			yes	yes
Chile			yes	
Eq. Guinea			yes	
Voting Power	47.13	26.96	30.37	18.02

(1) It includes the number of members within each chair. Its voting power refers to the 25 members of the EU across 10 chairs.

Conclusions

Several conclusions follow from our analysis of how countries are represented in groups within the IMF. The influence enjoyed by countries who are members of constituencies is affected not just by their collective voting power but by the structure and shared interests (or not) of the group itself and the duties of the group's representative to account to members.

The paper highlights that representation in the IMF is skewed not just by weighted voting power but by a number of practices which have evolved within the institution. The result is that a handful of Executive Directors are directly accountable to their governments, while all other representatives of countries have an entrenched `independence' from their member governments. This magnifies the informal influence of those who already enjoy the greatest voting power.

At present the Board of the IMF is collectively held to account but virtually no mechanisms exist in respect of individual elected Executive Directors. Informally, the national authority of an Executive Director plays an important role but this does not provide other countries in the constituency with any recourse. Our analysis of relative power within constituencies highlighted that where one country dominates, their position can be balanced by the presence of one or two almost-as-powerful members in the constituency. Equally, however, there should be some rather obvious mechanisms in place which ensure accountability of constituency Directors to all of their members. The Board does not record or publish the positions of Board members and permit public scrutiny of those decisions in any timely way. This makes evaluation within constituencies difficult as well as evaluation of the overall workings of the constituency and Board system. There is a large gap between constituency Directors and the legislatures of most countries they represent. Although the US Executive Director in the IMF is approved by the US legislature—creating a link whereby the former may be called to testify as needed—there is no such link between most Directors and the countries they represent. Finally, there are no formal evaluation procedures for all Directors and staff in which constituency members participate. Notwithstanding these gaps in accountability, there are other aspects to constituencies which affect representation.

Size is important. A large number of constituency members can bolster the collective voting power of the group. But if too many countries are represented within one constituency, trade-offs emerge. Constituencies made up of many countries are hard-pressed. Too many members means too little time and resources properly to prepare. It also means too little opportunity to report and consult. It makes accountability across the constituency very difficult. In this context, our analysis highlights the spillovers that having single-country constituencies generate for the rest of the membership, in terms of the ability to represent their member interests effectively as well as being accountable to them for the largest constituencies. The Fund benefits from having a small Board. However, the fact that eight countries have their own seats on that Board pushes all other 176 countries into sixteen groups, reducing the scope for more effective representation through constituencies. On a simple mathematical calculation, if all chairs were constituencies, each could represent seven or eight members.

Like-mindedness within constituencies is important for a number of reasons. No coalition of countries can be effective in negotiations without shared interests and mechanisms for forging shared interests and coordinating strategy. Greater like-mindedness within constituencies could be enhanced by building up memberships that leverage other institutionalized sets of relations such as regional links – SACU and Mercosur. Equally important is networking across constituencies. Our analysis highlights that coalitions across the IMF are vital for countries to access the informal processes which govern so much of what the IMF does. Influential exchanges occur long before Board meetings. Informal interactions with senior management and the technical staff of the IMF forge the agenda of the institution. Access to senior management and influence over them and their staff is more likely when the group seeking access is too large to

ignore. The experience of the G7 and EURIMF highlights not just this but also how important informal groupings are for members to coordinate their own positions.

Endnotes

[1] See Van Houtven (2002) for an overview of the IMF governance.

[2] Constituencies are not written into the IMF's Articles which provide for the membership-wide elections of fifteen Directors (Schedule E), increased to 19 by a Resolution of the Board of Governors in 1992.

[3] See Table 1 for a full list of constituencies, Table 2 for some descriptive statistics and Table 3 for a summary of their main features. This paper uses information correct as at October 2004.

[4] Boughton (2003) gives a good account of these changes.

[5] Originally, Spain and Poland held the positions, respectively, as Alternate Executive Director and Senior Advisor to Executive Director in the constituency chaired by Italy.

[6] Of the 19 elected chairs, China, Russia and Saudi Arabia are single-country constituencies and have not been listed in Table 4 and 5.

[7] The analysis of rotational patterns is limited to the constituencies at the IMF Board. A joint analysis of IMF and other multilateral organizations constituencies is beyond the scope of this paper.

[8] Gini coefficients measure the degree of concentration (inequality) of a variable in a distribution of its elements. While commonly used for assessing income distribution, they have also been employed in other instances to measure phenomena such as racial segregation, industry location, or, most recently, access to water or healthcare (see Epidemiological Bulletin, 2001).

[9] Schedule E in the Articles of Agreements (supplemented by further regulations issued by the Executive Board) provides that the nineteen candidates receiving the greatest number of votes shall be elected as Executive Directors for a term of two years, provided that they have received more than four percent of the votes cast (Schedule E, Sec. 2). If not, a second ballot is held and further procedures followed (Schedule E, SS. 3, 4 and 6). In practice, the outcome of these elections is negotiated *ex ante* within each constituency. Candidates are nominated according to each constituency's conventions and when elections are called the Governors cast their votes on the candidate nominated by the agreed country and later propose him to appoint the Alternate and/or the advisory staff in the Secretariat (usually from specified countries within a constituency).

[10] With some exceptions in the late 1980s and early 1990s.

[11] We thank Benny Andersen, Alternate Executive Director for the Nordic-Baltic constituency for directing us to this provision.

[12] For the legal arguments, see Gianviti (1999). Interestingly, the same applies to a member of the Board of Governors. Art. XII Sec.2 states that "each Governor shall be entitled to cast the number

of votes allotted under Section 5 of this Article to the member appointing him". As Gianviti (1999) notes: "a Governor does not cast the votes 'of' the member appointing him but the same number of votes".

[13] Cf. decisions of central banks on interest rates or decisions of the Supreme Court which have published reasons which can be dissected and evaluated by the public and by lower courts.

[14] In the Section of the By-Laws devoted to the Executive Board it is stated that "The Chairman shall ordinarily ascertain the sense of the meeting in lieu of a formal vote..." (C-10) and "There shall be no formal voting in committees and subcommittees. The Chairman of the committees or subcommittees shall determine the sense of the meeting..." (C-11).

[15] See Appendix II in IMF (2001a).

[16] A univariate linear correlation coefficient computed on the relative voting power and the number of countries represented by each of the 24 seats at the Board is negative (-0.37). When taking into account only the 19 elected chairs it increases but still remains negative (-0.09).

[17] Basic votes are attributed to the membership in a fixed amount regardless of the size of a member's quota. Each member is in total allocated 250 basic votes plus 1 vote for each part of its quota equivalent to 100,000 SDR (Art. XII, Sec. 5).

[18] These calculations are based on figures produced by the Development Committee.

[19] Currently, such assessments are available in 12 areas. More information is available at: http://www.imf.org/external/standards/index.htm.

[20] More details are available at: http://www.imf.org/external/np/fsap/fsap.asp.

[21] On burden sharing, see also Mohammed (2002).

[22] Strictly speaking, the Italian and the Canadian-led constituencies are also mixed. However, their outstanding debt is almost negligible at 0.68 and 0.07 percent of their respective constituency quotas, on account of lending arrangements by Albanian and Dominica, respectively.

[23] In 1999 legislatures in the UK, France and Ireland all passed laws requiring greater reporting on IMF issues, as did the Italian Parliament in 2003.

[24] The Netherlands, Ministry of Finance, www.minfin.nl, accessed on 1 December 2004.

[25] The Executive Director is the holder of the chair for the constituency by which he has been elected and, only when absent, his Alternate, appointed by the Director himself, has full power to act on his behalf. Alternatively, as the Articles stipulate, the Alternate may participate in meetings but may not vote when his appointing Director is present (Art. XII, Sec. 30). Furthermore, "...When a new elective Executive Director is named, the office of Alternate shall

be deemed vacant and an Alternate shall be named by the newly elected Executive Director." (By-Laws, Sec. 17).

[26] This includes the aggregate voting power of the constituencies led by Canada and Italy.

[27] The G7 are also core members of the G10, which has provided additional resources to the IMF through the GAB and NAB. See www.imf.org/external/np/exr/facts/gabnab.htm.

[28] Under this heading, it is usually referred to the Managing Director and his three Deputies.

[29] The EFC is composed of high-ranking officials from EU finance ministries and central banks. The representative from the finance ministries of Germany, France, Italy and the UK, serve also as G7 Deputies.

[30] In those cases, when the country holding the EU Council rotating presidency is not a member of the euro area, then such a statement is made by the head of the euro group, i.e. the Board official from the euro area country which comes next in holding the EU presidency.

[31] Bini Smaghi (2004) and Van Houtven (2004) elaborate on the perspective related to the consolidation of the EU representation into a single European Chair at the IMF Board. The former also gives a good account on EU coordination issues.

[32] Actually, it may be argued that G7 membership – though formally country-based – is *de facto* chair-based. Germany, France, Japan, UK and US are represented at the Board through their own appointed Directors, while Italy and Canada head their respective constituencies, in which, however, they have a largely dominant role (see below).

[33] At the time of writing, Mexico does not hold the chair of its constituency, which is shared in turn with Spain and Venezuela, but fills the position as Alternate Director.

[34] Its current membership includes: Algeria, Côte d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Nigeria, South Africa, the Democratic Republic of Congo, Argentina, Brazil, Colombia, Guatemala, Mexico, Peru, Trinidad and Tobago, Venezuela, India, Iran, Lebanon, Pakistan, Philippines, Sri Lanka and Syrian Arab Republic.

[35] Henning (1992) provides an historical overview of the Group.

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