In Search of Legitimacy
The IMF, World Bank, and WTO

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Abstract

In the light of rising criticism and debate over the legitimacy and accountability of the central international economic institutions, the IMF, World Bank, and WTO, some developments can be seen in how these organizations are reacting to such criticism to improve their legitimacy. The study is comparative in character and aims to explain how these organizations are changing and why this change is occurring now as well as why there are differences in how the three organizations are developing. In taking a constructivist approach to the study of international organizations as actors, it is argued that an understanding of international organizations as bureaucracies with varying degrees of autonomy will contribute to a deeper understanding of their behaviour. The role, mission, and organization of the three organizations is discussed, followed by critique relating to representation and influence for share- and stakeholders, as well as problems of transparency and accountability. Relevant changes in the organizations include increased transparency and use of evaluations, and an increased contact with NGOs. It is argued that NGOs have been an important influencing factor on this development, but also important is the fact that central states have begun to argue for similar changes. These issues have now become important questions in the organizations. The differing roles and character of the organizations has meant that they have responded differently to criticism and have been more or less open to NGOs. Their bureaucratic culture is seen to influence how these issues are interpreted in the organizations. The World Bank has developed the most while the IMF and the WTO have been slower to respond to criticism and engage with NGOs. Significantly these changes arguably amount to a change in what legitimacy means for these organizations.

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## Abbreviations

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<tr>
<td>CAO</td>
<td>Compliance Adviser/Ombudsman (IFC, MIGA)</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>ESAF</td>
<td>External Structural Adjustment Facility</td>
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<td>EVO</td>
<td>External Evaluation Office (IMF)</td>
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<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDDS</td>
<td>General Data Dissemination Standard</td>
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<td>HIPC</td>
<td>Heavily Indebted Poor Countries</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>ICSID</td>
<td>International Centre for the Settlement of Investment Disputes</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IEG</td>
<td>Independent Evaluation Group (World Bank)</td>
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<td>IEI</td>
<td>International Economic Institution</td>
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<td>IEO</td>
<td>Independent Evaluation Office (IMF)</td>
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<td>IFC</td>
<td>International Financial Corporation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IMFC</td>
<td>International Monetary and Financial Committee</td>
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<td>IO</td>
<td>International Organization</td>
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<td>ITO</td>
<td>International Trade Organization</td>
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<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
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<td>OED</td>
<td>Operations Evaluations Department (World Bank)</td>
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<td>OIA</td>
<td>Office of Internal Audit (IMF)</td>
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<tr>
<td>PFP</td>
<td>Policy Framework Paper</td>
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<tr>
<td>PIC</td>
<td>Public Information Centre</td>
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<td>PIN</td>
<td>Public Information Notice</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<tr>
<td>QAG</td>
<td>Quality Assurance Group (World Bank)</td>
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<td>SAPRI</td>
<td>Structural Adjustment Review Initiative</td>
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<td>SDDS</td>
<td>Special Data Dissemination Standard</td>
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<td>TPRM</td>
<td>Trade Policy Review Mechanism</td>
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<td>TRIPS</td>
<td>Trade Related Intellectual Property Rights</td>
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<td>WTO</td>
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1. Introduction

In the last 20 years rising criticism has been directed at the central international economic institutions (IEIs) for being undemocratic. This is perhaps best illustrated by the protests in Seattle at the third WTO ministerial meeting in 1999. There are three central International Organizations (IOs) involved in regulating and coordinating the global economy: the International Monetary Fund (IMF or the Fund), the World Bank, and the World Trade Organization (WTO). Criticisms of these organizations vary from substantive criticism of their general neo-liberal orientation and the effects of their work to more specifically the alleged undemocratic nature of these institutions and their lack of accountability, which is the focus in this paper. Such criticism has come to a large extent from Non-Governmental Organizations (NGOs) but also from academics, and increasingly also from some central member-states.

Since the end of the Second World War, when most of today’s more important IOs were created the environment in which these organizations operate has undergone some significant changes impacting on the roles they are to fulfil and the expectations placed on them. The larger process of globalization has generally meant more work for IOs, more states joining, and expansion into new issue areas previously considered domestic issues. Since the collapse of the Bretton Woods system in the 1970s, organizations like the IMF have become more important in governing the global economy.

In line with recent constructivist thinking, which this paper will follow, IOs can be seen as part of an international system where such organizations can act as intervening variables in international affairs but also influence the interests of states, in a mutually constituting environment.1 This paper is concerned with the issue of legitimacy in relation to IOs. IOs are of course created by states to perform a certain set of tasks and their success or effectiveness in doing this, as perceived by their members, is a central part of their perceived legitimacy.2 IOs can also be understood as bureaucratic institutions with a level of autonomy in developing policies since they are organizations with permanents staffs that can influence decisions and agendas. In creating an IO, states also necessarily grant some level of autonomy in order for

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the organization to work effectively. Naturally some states will have more influence in an organization than others but an IO needs to find a balance between the interests of its members and the organization’s interests in promoting its mission and continued existence. The bureaucratic and often technical character of IOs contributes to their legitimacy as they are perceived impartial and expert institutions, but this can also be a weakness as decisions are seen as removed from democratic oversight and control.

The issue of legitimacy of IOs has become more complex as more actors are getting involved in debates on what policies should be promoted by certain organizations. Traditionally their legitimacy rests on the fact that they are created by states and this is of course still the case. But IO legitimacy has become more intricate as IOs increasingly deal with a multi-level audience of states, NGOs, business interests, academics and, to some extent, the general public.

What is interesting here is how IOs react to this changing situation. Changes in the international environment should not be overstated since states are still the principal actors and IOs would not exist were it not for states having an interest in their continuation. Some relevant changes in the central IEIs can however be observed. Increasingly these are becoming more transparent, becoming more open to NGOs, responding to critiques from various actors and setting up evaluation mechanisms to increase accountability. In a way they are trying to legitimate themselves in the eyes of not only their member-states but also a more or less informed global audience. The traditional secretive inter-governmental character is to a limited extent giving way. Important here is the role played by various NGOs pushing for influence and for reform of the IMF, World Bank and WTO.

In a way a global civil society is starting to take shape although this mostly consists of different interest groups like NGOs and business interests primarily concentrated in the developed countries. In addition it is still very unclear what role such actors should play on the international level or even whether this is a development that will persist. The responses by the three organizations studied here to NGO engagement has varied but all three have increased their cooperation with NGOs.

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5 Junne, p. 192.

The IMF, World Bank and WTO have different roles and missions to fulfil as set out in their charters. These three IOs are sometimes referred to as the Bretton Woods institutions because of their origin in the 1944 United Nations Monetary and Financial Conference establishing the Bretton Woods system. The WTO however was not created until 1995. Attempts to create and International Trade Organization (ITO) in 1944 and afterwards failed mainly due to resistance from US Congress, instead the General Agreement on Tariffs and Trade (GATT) was created and eventually developed into the new WTO.\(^7\)

The roles of the IMF and the Bank have changed since their creation and the dismantling of the Bretton Woods system in the 1970s. The organizations continued to exist and managed to find other tasks to deal with. They were still seen as useful by their member-states and have arguably become much more important since the 1970s, expanding into new areas, interpreting their mandate in a more inclusive way or focusing more on certain aspects of their mission.

The increased importance of these organizations has meant different things for the organizations. They have developed in their own unique way, yet they are all involved in the larger task of regulating the global economy. In some ways these organizations now also have a greater say in the domestic policies of states that for example need to lend money or that want to be part of the global trade regime. Importantly their membership numbers have also increased greatly since the end of the Cold War. The IMF and the World Bank now have 184 members,\(^8\) the WTO 149\(^9\) compared to UN General Assembly with 192 members.\(^10\)

With the expansion of these IOs, including expansion into previously domestic issues and consequently broader implications of their work and policies, a lot of criticism has been directed against them from different directions both at their output (effectiveness and policies) and their procedures (the way in which decisions are reached and to what extent they can be held accountable). There are similarities in their organization, areas of competence and mission (of course there are significant differences between them as well), while their reactions to criticisms have differed. This difference in how the IEIs are developing to improve their legitimacy is of central interest here.

\(^8\) World Bank, www.worldbank.org (2006-03-09), (Numbers are for the IBRD; a country has to be a member of the IMF to join the IBRD.).
The issue of legitimacy arises when we realize that these organizations fulfil a sort of governance role. If we see IOs as just a reflection of underlying power relations, then arguably a more traditional view of IOs largely being tools for states, possibly affecting outcomes of inter-state disputes, will seem more correct and no further elaboration on the legitimacy of IOs will be necessary. However, if these organizations are perceived as being in the business of performing tasks that impinge on the sovereignty of states, in some ways fulfilling a governance function at the international level then we arguably need to look closer on how they are accountable to member states (shareholders) and people affected by their policies (Stakeholders). This becomes even more so since it is clear that often the states most affected by their policies, developing countries, are states with little input and that IOs, to an extent by design, have a degree of autonomy in developing solutions to problems and agenda setting.

The Rationalist – Constructivist Divide

The study of IOs in international relations takes place against a background of theoretical disagreement between rationalists and constructivists. From mainstream international relations perspectives, which are rationalist in character, IOs traditionally have not been seen as relevant actors in the international arena. IOs are primarily seen as tools for states with no independent interests and no relevant autonomy. At best from a neo-liberal perspective you could say that the existence of IOs can have a pacifying impact on state behaviour increasing the likelihood of international cooperation. Rationalist theories are focused primarily on states and why states create IOs in the first place. State interest in rationalist theories is largely seen as predetermined while in a constructivist view more emphasis is placed on the importance of changing norms and ideas. Constructivists argue that ideas, principles and an actor’s perceived identity influence behaviour. These theoretical differences, which will be elaborated more in the theoretical part, also have consequences for how IOs are perceived as actors in international relations. More specifically a constructivist view would suggest that the interests of an IO may develop over time and be influenced by normative understandings of the role and mission of an organization.

1.1. Problem

The issue of IO legitimacy becomes theoretically interesting when one asks the question why there are any changes at all towards improving legitimacy. Is this simply a question of increasing effectiveness, or is it driven by a normative change as a result of their increased workload, the criticism voiced and the increased campaigning by NGOs on the international level? This seems to be a question of fairly similar organizations in terms of roles and organization but their reactions to the legitimacy issue have differed ranging from more progressive changes made in the World Bank to more limited changes in the WTO and IMF.

It seems clear that IO legitimacy can be divided into two main components, a substantive or output part and a procedural part. It is difficult to treat these as distinctly separate parts, as criticism directed at policies are often intertwined with issues of information openness, lack of accountability, and calls for more influence for stakeholders. But an analytical separation of these components is nonetheless useful. This is part of a larger debate on the current status and direction of global governance and the “democratic deficit” in such institutions.13 But the focus of this paper will be on measures by the IEIs to deal with criticism and improve their procedural legitimacy.

As the environment in which IOs operates has changed so have the roles IOs are expected to play. While it is not easy to make a then and now comparison, a general distinction can be made in how the environment was for the IEIs before the 1980s and now. The WTO as mentioned was not created until 1995 and the comparison will therefore be a bit uneven. The GATT framework will be mentioned but it is the WTO itself that will be analysed. A number of developments have contributed to this change in the environment and the roles of the IEIs. The collapse of the Bretton Woods system, the effects of economic and technological globalization, and the proliferation of NGOs at the international level are central developments. In addition, the end of the Cold War, the debt crisis of the 1980s, and the Asian Financial crisis in the 1990s have affected the IEIs.

As the influence of the IEIs has increased so have criticisms of their secrecy, lack of accountability and the lack of influence for developing countries and stakeholders. Such criticism has especially proliferated since the 1980s. Reactions to this by the IEIs can be seen in changes to improve transparency and accountability, and engage more with NGOs. This change has occurred largely under the last twenty years, starting in the 1980s and accelerating

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in the 90s. It coincides with the increased importance of these IOs, and the criticism directed against the IEIs. Several of these developments signify important changes that are at odds with how the IEIs traditionally have operated. Put together it arguably amounts to a shift in the operation of the IEIs accompanying their changed roles and a change in what legitimacy means in relation to IOs.

**Research Questions**

- What changes in the IMF, World Bank, and the WTO can be observed relating to concerns over their legitimacy and how does this fit with the motivations given by the organizations and the critique against them?

- Why are these changes occurring now, and why are there differences between changes in the three organizations?

There are several variables that are of interest; the general role of a specific IO and the interest states have in its development, the organizational culture of the IO bureaucracy, the importance of NGOs in affecting the IEIs, and the compatibility of NGO – IO perspectives.

What I want to look at is the roles these organizations play in the international system, show in general how their responsibilities have developed, what kind of criticism has been directed against them in relation to the issue of legitimacy, and developments in these organizations that can be seen as a response to this. I will centre on the issues of influence and representation, transparency and accountability.

**1.2. Method**

The perspective applied in this paper is constructivist pluralist in orientation. Constructivism is not one coherent framework but rather consists of a multitude of perspectives occupying the “middle ground” in international relations theory. Some are more geared towards an interpretive perspective while some are closer to, or attempt to merge with rationalist perspectives. Conceptualizing IOs as bureaucracies and actors in international relations means taking a step away from the mainstream rationalist approaches in international relations.
theory. The choice of a constructivist perspective is because of the need to understand changes in international norms and pursuant effects in state and IO interests, leading to changes to improve the legitimacy of an organization. What changes are implemented however is of course influenced by the interests of member-states. IOs ultimately are delegated a responsibility, caught in a principal-agent relationship where states are the primary actors but where IOs also influence and sometimes constrain states.

In adopting a constructivist perspective there are certain ontological and epistemological assumptions made which influences the research method and the material used. The interests of actors are seen as largely socially constructed and the actions of actors are seen to be influenced by changeable norms and ideas. Social structures are also seen to have causal powers although not all such social structures are directly observable. Constructivism as a theoretical framework and the issue of IOs as actors will be discussed more in the theoretical part.

In approaching the issue of IO legitimacy this will be a comparative study of three cases. The IMF, World Bank, and WTO are specifically interesting cases because of their central roles in the international political economy, as the most central institutions involved in global economic governance. They are naturally also the organizations that are most criticized and debated concerning their organization and governance. Furthermore, although there are important differences between them, they share certain characteristics in how they are organized as large multilateral organizations, and the debates over their procedural legitimacy have centred on similar issues.

The study will be qualitative in character to ascertain what changes are occurring and how they are understood by the organizations in line with the constructivist perspective applied in the study. The material chosen thus focuses on criticism against, and changes made in, the IEIs. To gain a better understanding of how these issues are understood in the organizations a fairly wide array of material from the IEIs and to some extent from NGOs will be analyzed, which hopefully strengthens the study as a whole. The primary material will consist of documents from the organizations such as press releases, information, and policy documents as well as material from some other actors such as NGOs. Material from the IEIs will be analysed to understand how and why these organizations develop in certain ways. In addition to this a range of scholarly material will be used such as previous studies of the IEIs.

2. Theory

The objects of analysis in this paper are IOs and it is the purpose of this theoretical section to elaborate the tools necessary to better understand IOs as actors and guide the analysis. In the theoretical discussion I will argue that a focus on IOs as bureaucracies can enhance our understanding of how they behave and develop as actors and how this also affects their legitimacy. Adopting a constructivist perspective and viewing IOs as actors departs from a mainstream rationalist understanding of such institutions, especially the neo-realist perspective. The theoretical debate between neo-realism and neo-liberalism has for some time dominated the debate on the importance of IOs. A rationalist perspective on the nature of IOs will be briefly discussed. A constructivist perspective on IOs will then be elaborated. It is not the intention to pit these perspectives against each other but rather to show how the constructivist arguments fits into and builds on the mainstream debate. After that the focus will turn more specifically to legitimacy and what this means for IOs. First however there will be a short discussion of the IEIs and international relations theory on IOs.

2.1. Theory and IOs as Actors

The issue of IO legitimacy has not been excessively discussed in mainstream international relations literature. One reason for this is the primarily rationalist orientation of mainstream international relations theory as well as a tendency for state centrism, seeing states as the primary if not the only, relevant actors on the international arena.

To have a theoretical discussion on the legitimacy of IOs it is necessary to first clarify what kind of actors IOs are, how they come into being, how they behave and develop over time. The perspective furthered here is a constructivist view of IOs as bureaucracies with a varying degree of autonomy from their principals. This has implications for how we can understand IO behaviour and the relationship between member-states and an organization.

Constructivism is not inherently realist or liberal, although sometimes perceived as closer to liberal institutionalist approaches. Rather it adds a third dimension with its focus on ideas and identity, challenging some of the ontological and epistemological understandings of rationalist theories while not being relativistic.16

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16 Adler, pp. 322-324.
Nonetheless, the rationalist perspectives, mainly neo-realism and neo-liberalism, on IOs or “international regimes” also tell us some important things that we should keep in mind when thinking about IOs and IO behaviour. IOs, as creations by states, are ultimately dependent on the support of their members-states. While sometimes having a degree of autonomy in developing policy, like the World Bank, they are ultimately caught in a principal-agent relationship with their creators. The day to day operations in IOs are however usually delegated to lower level representatives, representing the member-states while at the same time working for the organization, but importantly also the regular staff of an organization. States and state representatives cannot be involved in every decision; hence an organization has a degree of autonomy in the routine work and in setting the agenda. Some states of course have more input than others and the relations between member-states and the principal-agent relationship between an IO and its members can be said to constitute the underlying environment.17

While IOs have normative goals such as reduction of world poverty or financial stability which they try to pursue, material goals such as survival and expansion may be an issue as well. Additionally an IO like the IMF and certainly the WTO are of course influenced by their members and to a certain extent act as an arena where states try to further their own interests. We should keep in mind that although IOs can be thought of as impartial technocratic institutions they are also more or less politicized in that different members may have conflicting interests. It is easy to assume that the policies developed by the IEIs are the best solutions but there will always be controversy. It is no coincidence that the IEIs promote the policies they do. At the same time it would be misleading to see them purely as “puppets” of powerful states because of their autonomy, independent expertise and the sometimes diverging interests of influential states.

The end of the Cold War brought with it the opening up of previously closed markets and an increase in membership for the IMF and the World Bank also meaning more work and institutional expansion. The Asian financial crisis raised concerns about the ability of the IMF to deal with such events as well as the effectiveness of structural adjustment policies promoted by the IMF and the World Bank.18 Such critique as well as their expansion into issues previously of domestic concern has spurred concerns over stakeholder involvedness in decision-making and accountability of the IEIs. The creation of the WTO occurred in the middle of this turbulent period for the IEIs. It has become a prime target for critics and the

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17 Reinalda and Verbeek, p. 22.
18 Cohn, p. 213.
myriad of interest groups and protesters (often misleadingly) referred to as the anti-
globalization movement. Increasingly the IEIs deal with issues concerning the internal
economic organization of states. Issues like good governance and the environment have
entered the agenda of the IEIs. At the same time it can be argued that there has been a
proliferation of other relevant actors at the international level that are worthy of attention such
as NGOs. That the IEIs are being increasingly engaged by, and in turn engage with non-state
actors, often critical to the IEIs is arguably an important part of the contemporary
environment for the IEIs.

IOs need to balance their mission goals and preferred policies against interests of other
influential actors, primarily states, and try to build some form of consensus. Sometimes this
can mean taking a leadership role or building alliances with states and other actors like NGOs.
IO interaction with non-state actors such as NGOs is a relatively new phenomenon and is on
the rise. The increasing interaction with NGOs is arguably having noticeable effects on the
IEIs. Often such NGOs press not only for policy changes, but also for improved transparency
and organizational reforms.

3. Rationalist Theory and International Organizations

It will not be possible to thoroughly cover the variety of perspectives that can be describes as
rationalist, rather this part is used to show the general approach of mainstream rationalist
theories, neo-realism and neo-liberalism, to IOs. It is useful to sum up the rationalist
perspectives to use in a comparison with constructivist arguments to create a more complete
picture.

The concept of international regimes is often used to describe international cooperation in a
certain issue area. The regime concept includes other types of cooperation than through
institutions and is thus a broader term to describe a set of principles, norms, rules and
procedures agreed on by states. Importantly this implies a set of expectations about future
state behaviour. IOs can be described as institutionalized state cooperation often on a specific
issue area like trade. Neo-realists and neo-liberals disagree on the actual effects of such

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19 Naomi Klein, “Reclaiming the Commons”, in Thomas Bateman and Roger Epp (editors), Braving the New

regime cooperation on state behaviour. Generally IOs are seen as administrators of state interests not really possessing any significant autonomy.

There is a pervasive view in international relations theory that the international and the domestic are separate and differing environments. Especially neo-realists would argue that the domestic and the international environments differ in kind and that this has consequences for how states can and do behave. Democracy is usually thought of as confined within the territorial boundaries of states. Although there are mechanisms that produce accountability in IOs similar to how it works in democratic states, international cooperation and decision making in IOs like the IEIs is usually seen as removed a step from democratic concerns. Rationalist theories of international relations however tend not to focus so much on the actual organizations as states are seen as the primary actors.

Although there are significant differences between neo-realist and neo-liberal perspectives there are also important similarities. States, as the primary actors of analysis in neo-realism and neo-liberalism, are seen as unitary, primarily self-interested and rational actors. Conceiving of states as unitary actors means that states are usually conceptualized as coherent and autonomous actors. There is a tendency to treat states as individuals in a sense, able to make rational decisions in responding to external events. The primary interests of states are assumed to be maximising power, security and wealth with differing emphasis. States calculate their actions following a logic of consequence and try to increase their own influence.

A realist oriented perspective tends to downplay the actual relevance of institutions, stressing the centrality of states and the tendency for conflict between states, or rather the difficulties of cooperation in an anarchical environment. Writers approaching the issue from a liberalist view are generally more positive about the prospects for international cooperation and the impact IOs and regimes in general can have in increasing predictability and improving

23 Susan Marks, “Democracy and international governance” in Coicaud and Heiskanen, p. 50.
the conditions for cooperation.\textsuperscript{26} States can in both a realist and liberal view have an interest in the existence of IOs. To realists this could be a matter of promoting self-interest and attempting to institutionalize certain rules that profit themselves.\textsuperscript{27} In a liberal view IOs can ideally promote further cooperation and increase overall gains for all states. Some would stress the importance of context and argue for example that cooperation is more likely in economic than security issues.\textsuperscript{28} The existence of numerous examples of international cooperation more or less institutionalized is evident. However realists would tend to be sceptical about the actual effects this has on constraining states. It could be argued quite convincingly that IOs like the IEIs are and have become important because they were created and are supported by the major world powers.

The interests of the IEIs can then be assumed to reflect the interests of their major shareholders, the economically strong states. What rationalist theories emphasize is the rationality of actors, both states and organizations. Although states are seen as the primary actors, IOs can be given some autonomy to effectively pursue their mission. This is however assumed to be very conditional. When it comes to organizational interest, a rationalist approach would suggest that IOs will be primarily interested in self-preservation and expansion. That is if IOs are to be studied as actors they could be expected to share the interests of the most influential members. It is more or less assumed that IOs as agents of states will not develop own interests. To the degree that an organization’s interests can change this would more likely be a result of changed state interests or changes in the relationship between member-states. As will be shown, in adopting a constructivist perspective, the issue of IO interest and how IOs can behave as actors becomes more problematic.

\textsuperscript{27} Reinalda and Verbeek, p. 21.
\textsuperscript{28} Charles Lipson, “International Cooperation in Economic and Security Affairs” in Baldwin, p. 60.
4. Constructivism

As constructivism is not one coherent theory of international relations but rather a social perspective applied to international relations. A constructivist approach can be more or less state centred. Overall, adopting a constructivist perspective means a questioning of the rational actor model and recognizing the importance of identity and non-material structures of norms, beliefs and knowledge. It can be argued that there are different relevant actors at the international level while still accepting the centrality of states. Constructivists believe in the importance of both material and normative structures in influencing the behaviour of actors. Rationalist theories are focused on the material, observable events, structures and behaviour, while in constructivism an actor’s understanding of the material is seen as conditioned by norms and ideas held by the actor.

It can be said that actors are socially embedded and understand their environment through inter-subjective normative and knowledge structures. Such non-material structures are also seen to influence the identity of actors such as states and IOs. Identity, norms and ideas affect the interests of actors and consequently their behaviour. When trying to understand state behaviour this suggests that state actions can not only be understood as reactions to an external environment where states pursue predetermined interests. How interests are constructed and what states do with their power is what is interesting and this is seen as conditioned by identity and beliefs, not solely on rational utility maximizing calculations. Constructivists argue that identity, norms and beliefs define what kinds of actions are available to different actors. This means there is a logic of appropriateness involved in actor behaviour in addition to the logic of consequence, relating to material gains, which rationalists would emphasize.

The focus in constructivism on norms, beliefs and ideas gives a different account of state behaviour and also of IO behaviour than rationalist theories. Instead of seeing actors such as states as rational and unitary, where interests are determined depending largely on external circumstances, they can be understood as social actors where interests are determined by held identities and norms. This does not necessarily exclude the idea that states can behave as

29 Adler, pp, 323 and 335.
30 Adler, pp. 321-322.
32 Marsh and Furlong, pp. 39-40.
33 Barnett and Finnemore, p. 29.
“strategic actors” trying to maximize power or wealth as long as they see that to be in their interest. It does suggest however that state behaviour is conditioned by other non-material factors as well.

As non-material structures are seen to influence actor behaviour, actors can also influence and alter such structures. Shared norms and expectations are the result of inter-subjectively shared understandings and practices. Actors and structures should be seen as mutually constituted. At the international level there exists a multitude of norms, values, practices and rules defining what acceptable behaviour is. These can and do change over time as becomes clear when one looks closer at such concepts as state sovereignty, the nation, international law and human rights. Rationalists, and especially realists, would as mentioned downplay the relevance of norms in the international environment and perhaps argue the extent to which they reflect the interests of major states. It can however be argued that rationalists by focusing on states as the central actors, ignore the influence of other actors such as IOs in influencing norms at the international level.

**IOs as Agents of Change**

IOs are designed to facilitate state cooperation but often also to uphold a given set of rules, norms and practices. These norms and rules are of course designed by states and are subject to change if states wish it. One state alone however will have a hard time bringing about significant changes. Cooperation and reciprocal treatment is usually necessary to reach some form of consensus on what norms should prevail. It can be argued that IOs are key agents in supporting internationally held norms although these are originally defined by states. Over time such norms may as mentioned change or become obsolete. IOs can here also be seen as important facilitators of change as they develop new solutions and policies, within general borders of what is acceptable to their principals.

In this view state interests can be seen as derived from both the domestic level and the international level where numerous actors more or less important are involved in shaping and reshaping internationally held norms and rules. IOs are sites of interaction where such norms are shaped, but not exclusively by states as experts and staff are also highly involved. When an organization has become more established it can be seen as an actor in its own right, working to

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34 Reus-Smit, p. 218.
35 Finnemore, p. 3.
promote tasks delegated to it. In the process of doing this the organization needs to solve problems and develop solutions that can be “soled” to member-states and other clients.

IOs as actors are then engaged in defining international norms in their specific issue area. Such norms can then work in a constitutive way to redefine state interests. From a constructivist perspective it can be argued that international norms and changes in such norms influence state interest.36 This of course takes place within certain frames. IOs will not propose solutions that are unthinkable to major member-states. They may however develop policies that go against interests of less influential members. In promoting and developing certain norms and rules IOs sometimes also forge alliances some states or with other actors such as NGOs.37 The development of norms at the international level can be seen as a political process in that numerous actors, of which states are the most central, attempt to influence outcomes. IOs are themselves part of this process in trying to promote norms relevant to their own mission. Occasionally these norms may conflict with the interests of major states although IOs likely tend to avoid such conflicts. In the end, this contestation over norms at the international level may redefine what is considered acceptable behaviour and may have a constitutive effect in that it affects the interests of states.

4.1. IOs as Bureaucracies

If one adopts a constructivist perspective and looks closer at how IOs behave as actors, there are reasons to doubt rationalist explanations and predictions of IO behaviour. Michael Barnett and Martha Finnemore approaching the issue from a constructivist perspective have an interest in understanding IOs as bureaucratic actors. They argue that an understanding of IOs as bureaucracies gives important insights into what type of actors IOs are. Rationalist theories have been occupied with why states create IOs and if the presence of such institutions has any effect on state behaviour. A view of IOs as actors with a level of autonomy, with a regulative function on state behaviour, as well as a constitutive function, is thus a significant departure form traditional rationalist reasoning.

Nonetheless as is argued here, there are reasons to focus on IOs as actors especially with the expansion and increased importance of some organizations particularly the IEIs. Arguably, a rationalist perspective does not tell us enough about IOs as actors, what interests they have, how they change and why they sometimes develop in ways not intended by their creators.

36 Finnemore, p. 129.
IOs are generally treated as something positive and are seen to promote peace and international cooperation. The fact that IOs often have a liberal orientation, promoting issues like human rights and free trade adds to the positive view of IOs. A view of IOs as bureaucracies however provides insight into how IOs can sometimes fail due to internal dysfunction. In addition IOs have traditionally not been famous for their democratic organization and transparency. Treating them as bureaucracies could provide insights into their legitimacy and how they change to improve their legitimacy in the face of increasing criticism.

Four characteristics of modern bureaucracies relevant to understanding IOs as actors are organizational hierarchy, continuity, impersonality and expertise. The impersonal character of bureaucracies means that there is a focus on rules that contribute to the image of bureaucratic organizations as impartial and depoliticized. Ideally, as pointed out by rationalists, IOs could be seen as impartial organizations administrating and carrying out the will of their members. This is a view that IOs themselves are often happy to promote.

Bureaucratic culture is a concept that is useful in understanding why organizations choose one solution over another or why they develop in a certain way. Bureaucratic rules are an integral part of this. Rules and guiding principles will be specific to an organization depending on its area of expertise. Rules will reflect underlying norms and principles and define how the organization interprets problems. They can be both explicit, like operating procedures internal to the organization, and implicit rules and norms guiding staff as to how an issue should be approached.

Barnett and Finnemore point out some effects of bureaucratic rules that can be of interest. Internal rules prescribe how an organization interprets problems so that the organization can respond to issues in an effective manner. Rules, often produced by the organization, also define how other actors should behave. Such rules, as part of the bureaucratic culture of an IO, also influence how staff interprets the world around them and how new problems are dealt with. A further argument is that such rules also contribute to a classification of issues in a way that fits the organization that then influences how others understand those issues, thus having a constitutive effect. For example rules on trade are defined at the WTO which then serves as a standard for others. The World Bank develops solutions to problems of poverty

39 Ibid., p. 18.
41 Barnett and Finnemore, p. 18.
and development which prescribe future action by themselves and others. Rules and principles at an organization are also constitutive of the organization’s identity in that they define what the values of the organization are.

In addition to this, a contribution to bureaucratic culture at IOs, are their different areas of expertise and what kind of people work there. The IEIs are economically oriented organizations working within the areas of international trade, development and poverty alleviation, and financial issues. Traditionally, although this is changing slowly, these organizations have been staffed primarily with individuals educated and experienced within these fields. While this is quite natural it also contributes to what can be called epistemic communities in these organizations. This can have both positive as well as negative effects. It is positive in that it contributes to effectiveness and expertise, but it also limits critical and alternative input. It may lead to dysfunctional behaviour because of unwillingness to take in alternative ideas and information.42

The bureaucratic culture thus informs how staff understands and interpret problems, as well as what problems they see. This also suggests that IOs may develop their interests over time as long as it is within the general frames of the original mission. Interpretation is necessary from the beginning as IOs are often given broad mission goals like promoting financial stability which the then has to be turned into a manageable set of goals.43

Authority and Autonomy

As bureaucracies IOs also have authority.44 The fact that they have been delegated their responsibility by states is central but there are different dimensions to IO authority as well. Their bureaucratic character as well as other characteristics of IOs contributes to their independent authority and also to autonomy.

IO autonomy is an issue that has been discussed in trying to account for what has been called “mission creep” in IOs. One way of explaining autonomous IO behaviour and such mission creep that fits within the rationalist perspective, is by focusing on the distribution of information between an agent and its principals.45 It can be argued that IOs have access to more information than their principals which they then use to further their own interest. It is

44 Ibid., pp. 20-21.
45 Reinalda and Verbeek, p. 22.
however doubtful to what extent this is the case as IOs ultimately depends on their members on information. Despite this IOs may have an informational advantage in certain issue areas that they may, but not necessarily will, use. But as rationalists would point out; why would IOs have diverging interests from that of their members?

As suggested above, seeing IOs as bureaucracies provide us with insights as to why IOs may develop their interests. IOs often have normative goals that they try to advance. In relation to the IEIs this could mean ideas and views on how development and economic reform is best pursued. Member-states would however in the rationalist view have a central role in defining the mission and underlying norms. In a constructivist view on the other hand the importance of such normative goals in themselves would be emphasized and seen as a central influence on IO behaviour. The need for interpretation would suggest that an organization can over time develop methods and interests to promote its overall mission resulting in so called mission creep. Such changes in a constructivist view should not just be seen as reflecting changing state interest but could be a result of changing IO interests which can on occasion create resistance from member-states, or support if the organization manages to promote the ideas. For example the creation of conditionality on loans and the promotion of increased transparency in member-states by the IMF and the World Bank have produced both resistance from some states and support from other states.

States of course have mechanisms to keep IOs in check, primarily by having representatives at the organization. Evaluation mechanisms at IOs also serve the function of keeping states informed. While states may have an interest in limiting transparency at IOs in some cases, increased transparency could also be seen as a positive development to improve state control of the organization and accountability of the organization towards member-states.

In being bureaucracies, IOs have a rational-legal character, they are authorities because they have been delegated this authority but also because of their bureaucratic organization and expertise. It is often important for IOs to appear impartial and this is a central characteristic of IOs and bureaucracies in general. In addition to their bureaucratic rational-legal authority and their delegated authority, IO authority can also be derived from their expertise and what can be called their moral authority.

The fact that IOs are focused on a specific issue area means that knowledge and expertise on that area will necessarily be furthered to the organization. This ties in with the informational advantage IOs may have over states. In having such expertise and often technical knowledge,

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46 Ibid.
IOs and the policies they promote, have authority. It also contributes to an image of impartiality in that they are seen as, and often perceive themselves as, expert institutions furthering the good of their members.\textsuperscript{48}

This is also linked to their moral authority in that IOs are often perceived as having the moral high-ground. This is quite evident in relation to human rights but also to issues that the IEIs deal with. The IMF is seen as the guarantor for international financial stability, the World Bank as a central IO working for development and the WTO in promoting conditions for free (and possibly fair) trade. IOs are often perceived as promoting the general welfare of their members, which they have to balance against particular interests of member-states. These sources of authority contribute to IOs being authorities in themselves and also consequently contribute to their autonomy. IOs are not of course autonomous or not autonomous, nor can they likely be entirely autonomous, but it is a question of degree specific to each IO and likely also varying with different issues.

Deconstructing and questioning this impartiality and moral authority, as well as the expertise of the IEIs has been a goal for critics. Thus the authority of the organizations to impose conditions on lending and prescribe certain economic policies is questioned. In responding to such critique it could be expected that the IEIs would try to emphasize their impartiality and reclaim their authority to strengthen their role as central and impartial institutions in the global political economy.

\textbf{Organizational Change}

This perspective of IOs would also suggest that changes both internal organizational, and changes in guiding norms and principles can be an effect of internal dynamics. Rationalist theories would argue that changes in IOs will be a result of state demands. While this certainly can be the case, a constructivist perspective would suggest that changes in IOs can also be a result of normative changes. IOs need to adapt to changes in the environment to retain their authority and legitimacy. In this way organizational change in IOs can be seen as reactions to external changes in both material and non-material structures. Further it could be argued, in the light of the bureaucratic constructivist view shown above, that the internal dynamics and the bureaucratic culture matters in how IOs develop.\textsuperscript{49} Shared epistemic understandings affect how organizations understand their environment and how they react to

\textsuperscript{48} Ibid., p. 24.
\textsuperscript{49} Ibid., pp. 9, 43.
external change. Consequently, change in IOs should not be seen purely as a reflection of changing state interests or an unproblematic reaction to external changes. Bureaucratic culture and organizational interests matter in what changes are implemented as do the interests of states.

5. Legitimacy and International Organizations

As the IEIs have become increasingly important, in that their policies have become more encompassing and affect more people, concerns have been raised about the legitimacy of these organizations and the existence of a “democratic deficit”. The idea that there exists a democratic deficit in the IEIs has spread and the type of closed inter-state negotiations common in IOs is being questioned. Especially accountability towards possible stakeholders has become an issue. Legitimacy in relation to IOs has not traditionally been considered a big issue in international relations theory. The assumption is that IOs are legitimate because they are created formally by states which delegate authority to an organization. IOs are accountable to their member-states in various ways and if a state is displeased with the organization they can ultimately withdraw. Withdrawal however is often not an option since it would incur great costs for a state, or for a group of states, if they decide to dismantle an organization. States tend to stick with an existing organization even if they are not entirely pleased with it. To withdraw from an organization like the IMF or the WTO is not really an option for most states today.

Legitimacy is a concept usually related to domestic politics and while a connection can be drawn to domestic politics, transferring the concept of legitimacy from the domestic to the international level is problematic and can even be misleading. Attempts have been made to approach the issue of IO legitimacy from a democratic theoretical perspective, as well as from an international relations perspective. Writers approaching the issue from the international relations discipline tend to focus on how the democratic deficit can be solved through reform of the IEIs by improving transparency and accountability while retaining effectiveness.

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51 Keohane and Nye, 2001, pp. 6-10.
53 Reinalda and Verbeek, p. 22.
54 Veijo Heiskanen, "Introduction" in Coicaud and Heiskanen, p. 6.
Legitimacy to a certain extent is a subjective concept. Various NGOs critical towards the IEIs perceive them as illegitimate both because of procedural issues such as lack of transparency as well as the policies they pursue. Such critique has also come from states subjected to structural reform requirements while some wealthier states and the organizations themselves tend to be more content with existing procedures and policies but not always. This subjectivity is also reflected in the theoretical debate in the international relations discipline over the nature of IOs between rationalist approaches, realist, liberal, and constructivists. Whether these organizations are perceived as part of some form of global governance system, or simply tools for powerful states, has consequences for how one thinks about their legitimacy.

5.1. Basis of IO Legitimacy and New Issues

While IO legitimacy and authority on a fundamental level is derived from delegation by states, there are other factors that contribute and influence their legitimacy. While IO legitimacy traditionally was an issue primarily concerning member-states, increasingly non-state actors and what can be called an emerging trans-national civil society are concerned with the IEIs and try to gain influence. The general distinction between procedural and output legitimacy made in the introduction is connected to democratic legitimacy on a national level but is nonetheless useful in relation to IOs.

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<tr>
<th>Procedural</th>
<th>Output</th>
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<td>Representation/influence</td>
<td>Results/distribution</td>
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<td>Accountability</td>
<td>Effectiveness</td>
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The output side can be seen in terms of justice and distribution. This has both a material and a non-material quality. Results can ideally be proof of success such as the World Bank reporting decreased numbers of poor people. It is also subjective, as whether or not you perceive an organization or government as just often depends on who you ask. Supporters of the IEIs would emphasize their success in liberalizing trade and finance while critics would perhaps argue that they perpetuate a system of unequal distribution of resources.

56 Heiskanen, p. 8.
57 Ibid.
Generally IOs are seen as legitimate because they are established through formal agreements between states and operate according to formal rules and procedures. Their bureaucratic character also contributes to a view of them as impartial or apolitical agents. As mentioned there are problems with this neutral view of the IEIs as they are often promoting a certain set of values that are the result of both the interests of their most influential members and how the organization understands issues through its analytical lenses. It is not the case that IOs un-problematically promotes the interests of members nor is their agenda value free. The IEIs for example promote a liberal vision of free trade and economic growth. As mentioned, critique of the IEIs has been centred on both their output and procedures. Concerning the procedural aspects of legitimacy, that is the focus here, the debate has centred around three main problems; representation, transparency and accountability. These concepts can be further divided into different issues such as representation and reform of the voting system as well as influence for NGOs.

**Representation and Influence**

Representation in IOs usually refers to how member-states are represented and how votes are distributed as well as voting procedures. It has also come to mean input or even formal representation of NGOs as in decision-making. That the IEIs do not adequately include input from stakeholders with the weighted voting system in the IMF and the Bank is a central part of the criticism against them. Representation is arguably the trickiest part of the legitimacy problem as it is naturally difficult to agree on who should be represented and how problems of under-representation of developing countries should be dealt with.

While some would argue that a more democratic voting system is required in each of the IEIs to better represent developing countries, it is not clear how such a system should be constructed. Drawing an analogy to domestic democratic systems is likely a mistake as it will not apply easily to IOs. The need for effectiveness is a central issue to retain the usefulness of these organizations and a radical reconfiguration of voting systems might be very damaging to effectiveness. Moreover decisions are often reached by deliberation and consensus building before any voting can take place. Nevertheless the voting system lies in the background should such deliberations break down. It is also the case that important decisions often require a large majority which can be blocked by the major members such as

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58 Keohane and Nye, 2001, p. 11.
the US and EU. Meanwhile developing countries, being a very large group of diverse countries, usually have a hard time working together in a concise manner.

Also part of the problem of representation, but also an arguably necessary compromise, is how countries are represented in the Executive Boards of the IMF and the World Bank where most countries are grouped together and represented collectively by one executive director. The WTO is a bit different as it has a more inter-state character with a General Council and other issue specific councils where all members are represented and decisions are usually reached by consensus without being taken to a vote. Voting is however possible under a one country one vote rule.

Discussions have centred on how to improve representation of developing countries and make representation fairer. Meanwhile some states are satisfied with existing systems and it is naturally a sensitive issue. It is also an area where the organizations themselves are not likely to come up with solutions and suggestions as it is directly related to how members are represented. Such problems more likely have to be solved through multilateral discussions.

**NGOs and Civil Society**

Participation of civil society in the IEIs has also become a major issue. NGOs have at the international level attempted to gain influence at the IEIs in order to get a say in their policies and promote issues that they think are unattended by these institutions. Some NGOs are concerned with promoting a certain set of issue while others are concerned with democratic reform of the IEIs specifically. They still share a need to gain access to the IEIs and an interest in opening up these organizations to outside scrutiny.

The term NGO can be applied to various types of organizations but is here meant to mean some form of organized civil society movement concerned or involved with the IEIs. Civil society meaning more broadly the space for interaction and activism outside of the formal political frameworks. Thus the term NGO is here used as a term for specific non-state organizations and groupings of such organizations while civil society connotes more generally societies and people in member countries.

A general distinction can also be made between radical and reformist organizations. Radical NGOs that are highly critical to the existence of organizations like the IMF or the

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60 O’Brien et al., p. 171.
WTO are not likely to have an interest in cooperating with these organizations. Other NGOs might see the need to engage with the IEIs in order to get their issues on the agenda even if they do not share ideological views.

While civil society participation in some form has become an issue at all three organizations there are differences in how open the IEIs have been to approaches by NGOs. Mostly interaction takes a less formal shape with NGO input on a local level. Meetings between IEI representatives and NGOs or allowing NGOs to observe meetings is also a way, as well as allowing for NGO input through evaluation mechanisms in the IEIs such as the IMF’s Independent Evaluation Office (IEO).

From the perspective of the IEIs collaboration with NGOs can give important benefits. This can be positive for effectiveness as NGOs can contribute with special knowledge. Not cooperating at all with NGOs might damage effectiveness as a project could loose local support or policies be opposed by critical NGOs.\(^\text{61}\) Allowing input from NGOs can also provide feedback on projects and policies and contribute to organizational learning. Importantly cooperating with NGOs can also have a legitimizing function both of specific projects and for the organization as a whole. Some form of engagement with NGOs is now seen as necessary in the IEIs.

In this interaction the IEIs tend to have an advantage because of their size and resources while NGOs usually have rather limited resources. All in all IFI engagement with NGOs has been quite limited and several obstacles exist for NGOs trying to influence the IEIs such as official attitudes and bureaucratic culture as well as lack of resources.\(^\text{62}\)

Jan Aart Scholte sums up four main ways in which NGOs have and can in the future contribute to improved accountability of global governance institutions.\(^\text{63}\) By promoting transparency, which is discussed more below, NGOs contribute to making these organizations more visible and making it possible for outside actors to acquire information about their work. In combination with this NGOs can also critically assess and give relevant critique on IFI policies and projects. NGOs can also contribute to accountability by helping stakeholders that have been negatively affected by projects to get compensation and by pressing for institutional changes to avoid similar problems in the future. Lastly NGOs concerned with the democratic accountability of the IEIs have promoted the establishing and strengthening of formal evaluation mechanisms in these institutions.

\(^{61}\) Ibid., p. 19.
\(^{62}\) Scholte, p. 216.
\(^{63}\) Ibid., pp. 217-222.
That there are also several problems associated with NGO participation and representation in the IEIs. What for example makes NGOs legitimate actors to represent stakeholders, and which NGOs should be allowed input? Since a majority of NGOs originate in developed countries some have pointed out that allowing more influence for NGOs could lead to further imbalance in organizations already tilted in favour of developed countries. The argument has also been forwarded that NGOs themselves often have legitimacy issues such as poor information on who they are representing as well as leadership selection and accountability.

What it comes down to is whether NGOs should be allowed influence in inter-governmental organizations such as the IEIs, circumventing in a way the traditional role of states as representing the interests of their people. It seems that this is in fact occurring and there are important incentives for this as well. For example as mentioned above in relation to representation of affected stakeholders and providing critical view as well as contributing to effectiveness. Exactly how NGOs should be allowed input in the IEIs is very much a matter of debate but at present it seems to take the form of issue specific and stakeholder related influence, meaning NGOs on the ground or trans-national NGOs get influence on issues relating to their expertise and when they can be said to represent relevant stakeholders.

Transparency

Transparency in decision-making and availability of information on which decisions are made is an important component of democratic accountability. The IEIs have traditionally worked in a rather closed and state-centred way with little public knowledge of their work. The lack of transparency in the IEIs and information on their work has been at the centre of critiques against them. Availability of information is naturally a necessity in order for outside actors to gain knowledge about and assess their work as well as to attempt to gain influence.

Improving transparency is probably the most unproblematic reform that can improve legitimacy. It also has other positive side effects as it contributes to external scrutiny. It thus also serves to promote a more open atmosphere and can in the long term contribute to accountability as well as ability for stakeholders to influence decisions. There has however been some resistance to increased transparency by states. One concern has been that increased

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65 Ibid., p. 96; Scholte, p. 231.
67 Scholte, p. 217.
transparency could damage the effectiveness of the organizations. It has not been obvious why member-states would have an interest in greater transparency in the IEIs.68

NGOs have been pressing for improved transparency in the IEIs with varying degrees of success. Improved transparency has however become central to debates on democratic reforms in the IEIs. Arguments for improvements have more recently also come from member-states. The organizations themselves have also reacted to such arguments. Since the 1990s changes have started in the IEIs to improve availability of information to NGOs and the public more generally.

Although it is still debated to what degree the IEIs should be transparent and what kind of information should be publicly available, improved transparency has come up on the agenda of both the IEIs and member-states as a way of improving the legitimacy and accountability of these organizations.69 While transparency in decision-making and availability of information to the public has not traditionally been a central concern of the IEIs, it has now moved up on the agenda as an important issue.

Accountability

Accountability is essentially the concept that ties it all together. The formal chains of delegation assuring accountability of IOs towards member-states have been criticized for being inadequate.70 As IOs, the IEIs are primarily accountable to their member-states but the argument is that this is insufficient to guarantee accountability towards stakeholders both in terms of member-states and people affected by their policies. Such stakeholders are often located in developing countries that lack influence in the IEIs or with poor democratic records that make it difficult for people living there to make their voices heard.

The bureaucratic character of IOs both contributes to, and impairs their legitimacy. While it means that issues and information is dealt with in a rule guided environment and an ideally impartial way it also means that the process is seen as removed and inaccessible to many people.71 Critics could argue that the IEIs are not really as impartial as they appear to be and that their technical bureaucratic character removes important issues from democratic debate. It could on the other hand be argued that IOs represent the interests of their members and

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68 Kahler, p. 143.
71 Barnett and Finnemore, p. 166.
work to promote those interests. But the increasing delegation of issues to IOs and the expansion of the IEIs specifically, without some kind of congruent reforms to ensure accountability of those organizations, might lead to a system of undemocratic governance. A system which ironically promotes liberal values and governance based on such liberal values, leading to what can be called a system of “undemocratic liberalism”.72

Since IOs are very different from national governments, their legitimacy arguably needs to be evaluated in relation to their specific nature. Some would argue that IOs compare more favourably to non-majoritarian institutions such as central banks.73 Legitimacy then could be improved by limiting state control while improving transparency.

In response to concerns about accountability the use of external evaluation has in some cases been seen as a supplement. External evaluation of policies and projects can contribute to both improving effectiveness in providing feedback, as well as accountability by outside reviews of an organization. External evaluation can be said to enhance accountability towards both member-states and the public as long as evaluations are made public. This does not solve the accountability issue though, but contributes to what can be called horizontal accountability.74 Subjecting the IEIs to democratic standards taken from a domestic context is somewhat misleading. Rather improving legitimacy in the IEIs has come to mean increasing transparency, interaction with NGOs and improving existing mechanisms of accountability. Larger procedural issues such as more equal representation of members and changes in the voting systems have been left somewhat unattended.

6. Analysis Outline

As has been shown there are various perspectives on IOs, how we should understand them as actors, and even if IOs should be considered relevant actors worthy of study. The argument in this paper is that IOs are relevant actors, that although they are set up by states and have states as their principals can have a degree of autonomy. This does not mean that IOs should be considered independent actors or that they are making up their own interests as they go. IOs will likely have different degrees of autonomy depending on the original design by states, how they were intended to function, but autonomy can also come from other sources. An organization’s expertise and informational advantage can for example contribute to autonomy

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72 Ibid., p. 172.
73 Kahler, p. 133.
in some cases. The expansion of the IEIs in the light of globalization has lead some to argue that these organizations constitute an elitist system of governance unaccountable to both member-states and people affected by their policies. This simplified picture is not really helpful in understanding the roles that the IEIs play in the international political economy or the environment in which they operate. In many ways the IEIs have been successful in pursuing their missions of trade and financial liberalization. They have been able to adapt to a changing environment and find new issues to deal with as others have become less important. They have also persisted through various crises and have been central in solving problems such as the Asian financial crisis, even though critics would argue that the IMF in that case also could be seen as a cause of the problem.

Criticism has come not only from NGOs but also more recently from major states and independent experts. This reflects a concern over how these organizations are accountable to both shareholders and stakeholders and the character of the developing system of global economic governance. Will the legitimacy of this system for example be based on an output oriented logic where it is the effects that matter most, or will procedural aspects of legitimacy such as inclusion of stakeholders in decision-making play a prominent role? The increased concern over the IEIs and their legitimacy would suggest that procedural aspects are starting to matter more in relation to the IEIs. Still the IEIs are very much judged on their effects. It is therefore highly relevant to investigate how these organizations are changing and the motivations behind for example increased transparency. This analysis is centred on how these organizations are reacting to such arguments and the changing environment including increased interaction with NGOs. How the IEIs develop and adapt to defend their legitimacy is arguably of central importance for their future effectiveness as a lack of perceived legitimacy and trust from share- and stakeholders will likely impair their ability to pursue their missions and fulfil their roles.

The analysis will be arranged around a number of topics in order to get a better understanding of the roles of these organizations, how they are developing and what influences their development. I will start with the IMF followed by the World Bank and then the WTO. Each part will be arranged around these topics; Role, mission, and organization; Critiques and legitimacy problems; Changes that can be observed and the motivations behind them. This will serve to show, what roles these organizations have, how they are organized, and in general the character of their bureaucratic culture. When it comes to criticism, the most

75 Cohn, p. 34.
76 Keohane and Nye, 2001, p. 25.
important criticisms will be taken up first such as concerns over influence and voting. Likewise the most noticeable changes will be dealt with first. I can naturally not go into extensive detail on each organization but will try to bring up important changes and relevant critiques of the IEIs in each case. Although some issues before the 1990s are necessarily taken up, it is primarily events thereafter that are of most interest. This in part compensates for the difference between the IMF - World Bank and the WTO which was established much later. In the end the goal is to provide insight into how these organizations are developing in relation to legitimacy as well as why this is occurring now and why they are developing at somewhat different rates, as set out in the research questions.
7. The International Monetary Fund

The IMF as an organization has developed significantly from its creation reflecting the changing needs of member-states and developments in the world economy. But a key in understanding its development is also provided by the constructivist arguments discussed in the theoretical chapter on how bureaucratic culture can influence developments and responses to problems. The IMF has expanded over the years and has become increasingly engaged in prescribing economic policy for states in a way that was not originally intended.77

The IMF since the 1980s increasingly deals with the domestic economies of states that want to draw from the Fund’s resources and prescribe economic policy through conditionality requirements on loans to developing countries. The IMF is an expert bureaucratic organization and an authority on international financial issues. To be perceived as an impartial and expert organization is important for the IMF to retain its legitimacy and importance. From the beginning the IMF has had a liberal ideological orientation to promote free movement of capital and contribute to economic growth. That the organization has been primarily staffed with economists in turn also affect how problems are interpreted and what kind of solutions are developed.78

The staff of the IMF need to interpret the mission given, identify problems, and develop solutions that are likely to be successful while being sensitive to the interests of member-states. Although the IMF is controlled by its members, the organization’s staff has some autonomy in setting the agenda of the organization.

In relation to the legitimacy question the organization has changed in that transparency has been improved and evaluation mechanisms have been developed to improve effectiveness and accountability. NGOs and civil society have been afforded limited input though the concept ownership of projects where country strategies to reduce poverty and promote development, are to be formulated in cooperation with local NGOs. These changes can arguably not be explained by focusing on state interests alone but require us to look at interactions with NGOs as well as the internal bureaucratic culture at the IMF.

77 Barnett and Finnemore, pp. 45, 56-63.
78 Ibid., p. 50.
7.1. Role, Mission, and Organization of the IMF

The IMF was designed to play a central role in the post-World War II Bretton Woods economic system. The main architects of this system and consequently the design of both the IMF and the World Bank were the US and Great Britain. The Bretton Woods system was influenced by liberal interventionist ideas trying broadly speaking to combine free market ideals to promote economic growth and state control over domestic economies.\(^79\) The IMF was meant to serve as the main institutional framework for international financial cooperation.

**Mission**

The broad mission of the IMF set out in the Articles of Agreement as the six purposes of the IMF was, and has remained; to promote international monetary cooperation; to facilitate the expansion and balanced growth of world trade contributing to high levels of employment; to promote exchange stability; to assist in the establishment of a multilateral system of payments and in the elimination of foreign exchange restrictions and additionally to make the resources of the Fund available to members with balance of payments problems thereby also shortening the duration and lessening the degree of balance of payments problems.\(^80\) In promoting these purposes the Fund has three main functions; surveillance, technical assistance and lending.

With the collapse of the Bretton Woods system in the 1970s the Fund moved more into surveying the economies of member-states and providing loans to deal with balance of payments problems. Today a lot of the IMF’s work centres around surveillance and assessment of economies through so called Article IV consultations with member-states and in the World Economic Outlooks published twice a year. In promoting the rather broad mission outlined above technical assistance is provided where it is deemed needed. Such assistance is centred on issues that fall within the expertise of the IMF and is seen to complement the Fund’s other functions of surveillance and lending.\(^81\)

The IMF has two main tools for influencing states, by providing technical advice and education, and through conditionality on loans. There is no direct way for the Fund to force

\(^{79}\) Cohn, pp. 94-95.


members into accepting deals but accepting conditionality is a requirement to receive extended financial aid from the IMF.

What kind of loans the IMF provides has also changed as what is called medium-term loans with a longer time for repayment has become more common. The IMF has moved from providing short-term loans to finance acute balance of payments problems to more encompassing loans for financing of debt problems with structural adjustment conditions attached. Thus the work of the IMF to some extent has come to overlap with the work of the World Bank. The two organizations also have a joint Development Committee established in 1974 that reports to the Boards of Governors of the two organizations.

Organization

The IMF as designed by its founders was supposed to be a technical organization under significant control by the member-states which were originally the developed countries. The voting system is specifically designed to give most influence to economically important states through a system of quotas that determines the voting power of members.

States as members of the IMF are assigned a quota share based on its “relative size in the world economy”. These quotas work in several ways. First, they constitute the financial resources of the IMF as a state’s quota share determines the amount of financial resources a member should provide to the Fund upon joining. Second, quotas determine the voting power of members in that states initially have 250 votes plus additional votes based on their quota share. Third, quotas determine the amount of resources a member can obtain from the IMF if they are in need, although this can be increased under special circumstances. Quotas are determined not only by the size of a member’s economy but by a variety of factors that reflect the prosperity of a member-state. Consequently developing countries are seriously underrepresented.

The Board of Governors is the highest decision-making body in the Fund where each member is represented. This group only meets regularly once each year and cannot be involved in the everyday operations of the fund. The creation of the International Monetary and Financial Committee (IMFC) in 1999 meant a strengthening of state control of the organization by improving state oversight. The IMFC, which has 24 representatives from

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82 Cohn, pp. 206-207.
84 Barnett and Finnemore, p. 49.
states or groups of states, was a development of the previous Interim Committee and report to the Board of Governors on the work of the Fund.\(^{85}\) The regular work of the IMF is carried out by the 24 member Executive Board, the Managing Director and the staff. While the largest members have their own representatives on the Executive Board and the IMFC, many states share a representative which limits their input. The size of the Executive Board however needs to be limited to preserve effectiveness in decision-making.

**Autonomy**

The chain of delegation from governments to the Board of Governors and the Executive Board is supposed to provide member-state control and oversight as well as accountability of the organization towards members. There are however problems with this as most states except the largest and most influential have too little influence over the Executive Board which in turn cannot be involved in every decision.\(^{86}\)

Two other aspects contribute to the relative autonomy of the organization in its everyday work. In being a fund the IMF does not depend on membership fees or voluntary donations but is financed by interest on outstanding loans and interest on available resources contributed by states upon joining. Loans of course still have to be approved by the member-states. In addition the IMF staff has some freedom to set the agenda of the organization by formulating measures and strategies that the Executive Board then considers for approval.\(^{87}\) The organization’s staff will however not likely suggest measures that are not expected to be approved by the Board but it does mean that the staff’s expertise and understanding of issues will guide what proposals are suggested. The autonomy of IMF staff and management thus lies in its ability to develop solutions to problems and shape the direction of the Fund within the general borders acceptable to central member-states. This autonomy influenced by the understanding of staff and leadership of the organization’s mission and role fits with the constructivist perspective furthered in the theoretical part; it is also something that is relevant when considering developments and responses to legitimacy concerns.


\(^{86}\) Woods, 2001, pp. 84-87.

\(^{87}\) Barnett and Finnemore, pp. 49-50.
7.2. Legitimacy; Problems and Criticisms

Concerning its work (or output), the IMF has been criticized for the structural adjustment conditions on loans, the handling of debt problems and its promotion of market liberalization and privatization in general. A criticism has also been that the IMF is insensitive to the environmental and social effects of structural adjustment reforms in developing countries. It has also been argued that the organization has deviated from its original mission of providing short-term balance of payments loans and moved into longer-term loans and development. More recently the Asian financial crisis posed a challenge as the Fund was criticized for being unprepared and handling the situation poorly. The liberalization of capital flows promoted by the IMF was seen by some to be a contributing cause of the crisis. Likely as a result of this the Fund is now focusing on crisis prevention and a rethinking of conditionality and the future direction of the Fund generally.

Critique against the work of the IMF as with other high profile IOs comes from many directions. Some are more radical arguing for a complete dismantling or possibly the need for new organizations in their place. Even though the IMF is liberal in orientation some neo-liberals argue the institutions such as the IMF and the World Bank should be disbanded because they work as a safety net, a refuge of last resort, preventing necessary changes in developing countries. At the same time others argue that the IMF with its conditional loans helps to lock developing countries in their dependency on developed countries. In both views the IMF is seen as ineffective but for different reasons. Many probably agree that although there are problems with the performance of the IMF the organization is still needed. But some reforms are seen as necessary to improve the organization’s legitimacy in promoting the policies it does such as fairer representation of developing countries. Several NGOs and networks have argued for institutional change in the IMF and some of their concerns have been taken up by important member-states as well.

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88 Van Rooy, p. 54.
89 Barnett and Finnemore, p. 47.
90 Van Rooy, p. 53.
92 O’Brien et al., p. 218.
Representation and Influence of States

Representation in the Fund is undemocratic in that it under-represents states that are in need of loans and have a lot of contact with the IMF. The 250 basic votes afforded to each member reflect a concern with the equality among members stemming from the IMF’s creation. Today however these basic votes only play a minor almost symbolic role.\(^93\) Exactly how the voting system should be reformed is unclear though many would argue that it is the most important part needing some reform.

Quota reviews usually takes place every five years. The last review, the twelfth, was preformed in 2003 but no increase in quotas was made.\(^94\) Changes should ideally reflect changes in the world economy so that representation of states is proportional to their economic importance. China was for example afforded an ad-hoc quota increase in 2001 because of its acquisition of Hong Kong.\(^95\) The last general review in which quotas were increased was in 1998-99.\(^96\) Importantly quota increases require an 85 percent majority in the Board of Governors. This effectively means that the major shareholders, the US and EU can veto such proposals. Less economically strong states cannot block such changes or proposals requiring similar majority unless they manage to collaborate.\(^97\) It is also difficult to see how developing countries could get more influence in the IMF with the current system apart from simply improving their relative size in the world economy. The quota formula itself can therefore be seen as the problem. But negotiating new rules on quotas is naturally a very sensitive issue which developed countries are not likely to endorse.

Influence for NGOs

More influence for civil society actors has also become an issue with the proliferation of NGOs on the international arena and is seen as a way to improve input for stakeholders and the accountability of the IMF. Being a rather technical organization the IMF has been slow to engage with NGOs. NGO interest in the IMF, specifically on the issue of governance of the

\(^{95}\) IMF, Factsheet, “IMF Quotas”.
\(^{97}\) Cohn, p. 154.
Fund and democratization, can be traced to the early 1980s.\textsuperscript{98} NGOs have themselves however been rather limited in their engagement with the IMF as it has been seen as a bit inacessible and peripheral to NGO concerns, while the World Bank for example has been seen as a more relevant target. Increased NGO engagement with the organization has however occurred during and after the 1990s as more NGOs have developed an interest in the IMF.\textsuperscript{99}

With the changing role of the IMF and the effects of its work, NGOs have tried to influence the direction of the Fund, to affect its policies as well as its procedures. In part because of the range of issues advocated and their relative lack of resources NGOs have a hard time affecting the IMF. Networking and lobbying through different channels has provided opportunities for NGOs to influence the IMF. Some NGOs manage to affect the organization through member-states by advocating issues on a domestic level, allying with states. More recently NGOs have started to approach the IMF more directly through senior staff and executive directors.\textsuperscript{100}

Specifically related to democratic reform of the IMF and the World Bank, three network movements can be mentioned. The 50 Years is Enough (US) network;\textsuperscript{101} The Bretton Woods Project\textsuperscript{102} and The Centre for Concern’s “Rethinking Bretton Woods” program.\textsuperscript{103} These movements bring together numerous NGOs concerned with different issues and with different resources and are committed to some form of “democratic reform” of the IEIs. Another noteworthy NGO engaged with the IMF is Transparency International and its “Global Transparency Initiative” which also brings together a network of organizations advocating improved transparency and participation of civil society in the work of the IEIs.\textsuperscript{104}

To what extent NGOs both globally and locally should be included in the IMF’s work is connected to the general problem of how NGOs and other movements should be included in the IEIs. This is not an easy question and when it comes to the IMF, NGOs have only had limited success. But NGOs have stated focusing on the IMF and their efforts has led to some changes in the organization. Especially relevant here is the IMF’s transparency reform work and the attention to participatory development which will be discussed. While local ownership and participation of civil society in country specific programs is now promoted there is however no formal channel of input for NGOs in the IMF.

\textsuperscript{98} O’brien et al., p. 170.
\textsuperscript{99} Ibid., p. 160.
\textsuperscript{100} Ibid., p. 173.
\textsuperscript{101} http://www.50years.org
\textsuperscript{102} http://www.brettonwoodsproject.org
\textsuperscript{103} http://www.coc.org/
Transparency

Transparency has become an important issue both for NGOs trying to gain influence at the IMF, and more recently for some member-states. The IMF has traditionally been a rather closed organization. One reason for this is the rather technical character of the issues that the IMF deals with and a perception that international financial issues are “high politics” to be discussed by finance ministers or other state representatives. As the IMF has expanded its operations improved transparency has increasingly become a concern. Especially since the early 1990s this has become an issue as central member-states also started voicing such concerns over the IMF’s poor transparency.\(^{105}\)

Also in this time period the IMF itself began to promote good governance and transparency among member-states. Transparency and availability of economic information in member-states is promoted through the General and Special Data Dissemination Standards (GDSS and SDSS).\(^{106}\) These standards encourage members to provide information on their economies in order to prevent financial crises. This move to improve transparency in member-states together with institutional and legal reforms contributed to arguments that the IMF itself should become more transparent.\(^{107}\)

While states previously have seemed rather content with closed character of organizations like the IMF, arguments for improved transparency have also increasingly come from member-states. One obvious reason for this could be an interest in having better control over the organization. However state arguments for improvements in transparency have stretched beyond that into making information publicly available in line with arguments of NGOs. Not all states have been positive about improved transparency however. When it comes to internal transparency in the organization and availability of this kind of information to the public, such as staff reports and discussion papers, there is not much apparent resistance. On the other hand transparency in the IMF’s relations with states and public availability of documents related to specific countries and programs is a more sensitive issue.\(^{108}\)


\(^{108}\) Kahler, pp. 143-144.
One issue that applies to both the IMF and the World Bank is also leadership selection. The Managing Director and the Bank’s President, as the head of each organization, is appointed by the Executive Board and has by tacit agreement traditionally been a European while the President of the World Bank has been a US citizen. It could be argued that improving transparency on leadership selection or making this a voting issue can damage effectiveness. It is nonetheless the case that the traditionally secretive process by which the Managing Director has been nominated and selected is damaging to the organization’s legitimacy.

More generally it has been argued that improved transparency will contribute to accountability both towards member-states and stakeholders by allowing outside scrutiny and access to information. NGOs critical of IMF policies were previously faced with little information on the work of the IMF. Access to information and documents is of course a necessity for any actors to be able to gain knowledge about the Fund’s work and then try to present relevant critique and influence the organization itself directly or through member-states.

Accountability

Put together, the IMF has been criticized for being unaccountable due to the above mentioned weak chain of delegation and its uneven representation of developing countries. Improvements in transparency and accountability have been argued for as necessary developments in the light of the IMF’s expansion into more issues and the domestic economies of states. There has been resistance to this, but member-states have as well started to argue for improved transparency and accountability by formalizing the use of external evaluation which will be discussed more below.

Better inclusion of civil society stakeholders in planning and implementation of IMF programs has also been an argument. This could be accomplished by improved participation of NGOs and other civil society actors in planning on the ground. But some member-states are critical towards inclusion of NGOs. Especially developing countries tend to see this as limiting their own input in an organization where they are already marginalized.

110 Kahler, p. 148.
Criticisms of the IMF and its democratic deficit has thus centred on reform of the voting system, increased transparency, improved mechanisms of accountability and improved inclusion of stakeholders and NGOs in the work of the organization. Overall the increasing concern with the procedural aspects, transparency in decision-making and accountability of the IMF should be seen in relation to the organizations expanded responsibilities. Although not all concerns mentioned above have been attended, there have been some important developments in how the IMF perceives its legitimacy as relating not only to member-states but more broadly to affected stakeholders and NGOs.

7.3. Changes in the IMF

_Transparency_

As the IMF has expanded its involvement in developing countries, institutional reform and transparency has become part of conditionality attached to IMF loans.\textsuperscript{112} The IMF for example now promotes the publishing of country program PRSPs and Policy Framework Papers (PFPs),\textsuperscript{113} Letters of Intent as well as communications from members to the IMF, and transparency of economic data more generally through the GDDS and SDDS standards. Transparency in the contacts between country governments and the IMF as well as improved transparency in countries is seen as positive for financial stability and an integral part of reform and development.\textsuperscript{114} This does however take a voluntary shape where the decision whether documents should be made available ultimately lies with the member-states.

The IMF itself has also become more transparent internally. In fact improved transparency is probably the most obvious way in which the Fund has reacted to improve its legitimacy in response to criticism. One point that is also emphasized is visibility of the Fund and its operations. The IMF has implemented a number of changes to increase its own visibility and to make its work more understandable. The external relations department now has a more central role in communicating the view of the organization to the press for example. Also important is the publishing of Public Information Notices (PINs) since 1997 following Article

\textsuperscript{112} Woods, 1999.
\textsuperscript{113} PFPs concerned countries involved with extended lending from the IMF under the Extended Structural Adjustment Facility (ESAF), while PRSPs concern countries involved with the Fund’s newer Poverty Reduction and Growth Facility (PRGF).
IV consultations with member-states. A large amount of material is now regularly published on the IMF website, for example internal discussion papers, research and IMF Surveys (summarized information on Fund activities, policies and Executive Board decisions). Most of this development has occurred since the latter part of the 1990s. In 1999 the Executive Board agreed, after assessment of earlier experimental projects, to further improve transparency and to formalize the publishing of information. Archived material was made available although subject to a delay period. Declassification periods for some archived material were decreased and it was decided that internal documents such as staff reports and policy papers should be released more often. Transparency efforts at the Fund have continued to progress.

Due to concerns over confidentiality of information handled by the organization an initial initiative in the Executive Board to move towards a presumed publication of member communications and staff reports in 1999 has been limited. Internal papers and member communications are not always published since member-states can choose not to. The principle of voluntary publication has persisted. Publication is however promoted by the organization and between 2001 and 2003 PINs were published following 84 percent of Article IV consultations. The availability of information to the public and increasing public understanding of the Fund’s work is emphasized. This kind of language is quite new for an organization like the IMF and reflects criticisms voiced by NGOs.

Although there is optimism in the IMF regarding the possible benefits of improved transparency in terms of improving effectiveness and quality of the organization’s work, the transparency reform work has been relatively slow. Some documents however are now under a presumed to be published policy. Still there are limits in the IMF’s transparency work. Not all member communication or staff reports are published and accessibility is limited for people without internet access since the IMF has not followed the World Bank in establishing

116 O’Brien et al., p. 183.
120 IMF, Factsheet, “Transparency at the IMF”.
121 IMF, PIN, No. 03/122.
public information offices. In addition, the material published by the IMF is still rather technical and difficult for outsiders to understand.

**Improving Accountability**

Evaluation in the IMF before the mid 1990s was an internal affair where evaluation was carried out by staff, the Policy Development and Review Department and by the Office of Internal Audit (OIA). The results of OIA evaluations were not published and other evaluations were published on a case by case basis. The use of evaluation in the Fund became more prominent in the early 90s and the idea of externalizing some parts of evaluation started to materialize. In 1993 the establishment of an External Evaluation Office (EVO) was discussed in the Executive Board. Although there were some doubts about the actual need for external evaluations in the IMF an Evaluation Group of Executive Directors was established in 1996 and some experimental external evaluations were made on selected topics. The OIA was also expanded. From 1996 evaluation continued through self evaluations by staff and the OIA as well as through such independent evaluations by outside experts. The results of those external evaluations were published.

This development can be seen as a response to arguments from both NGOs and member-states at the time to formalize the use of external evaluation. The learning function of evaluation was also stressed by IMF management and Executive Board members as external evaluation could contribute to organisational learning in the Fund, learning from past failures and improving the success of future projects. Another important guiding principle of external evaluation was to improve accountability of the organization both towards member-states and the public, raising the credibility of evaluations as well as the legitimacy and acceptance of the organization as a whole. Improving evaluations could thus bring important benefits for the IMF as an organization and improve its legitimacy at a time when this was being questioned, partly because of the events of the Asian financial crisis.

The work towards an EVO, later termed the Independent Evaluation Office (IEO), received support in the IMFC and from central members. Following consultations with NGOs such as the Centre for Concern, a decision was reached in the Executive Board in 2000 to establish an

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123 Ibid.
124 Ibid., Section III.
Independent Evaluation Office. The new IEO was established in roughly the same way as had been discussed earlier and was designed to operate independently of the IMF, “at an arm’s-length” from the Executive Board. The IEO is to systematically conduct evaluations of IMF and its operations. By doing this the IEO serves to enhance the learning culture in the Fund, strengthen the IMF’s external credibility, promote greater understanding of the organization’s work, and support the Executive Board in its governance and oversight role. The majority of the IEO’s full time staff should come from outside of the IMF and transparency of the IEO is an important component. Evaluation reports are normally published unless there is a confidentiality issue. In the case of the IEO this reservation seems to be interpreted rather restrictively however.

Openness to NGOs

In the IEO, which has as part of its mission to increase public understanding of the IMF’s work, NGOs have an opportunity for influencing the IMF as feedback from outside interest groups and stakeholders is to be sought on the IEO’s work. Although this “feedback” and its implications are described a bit vaguely there is a possibility for NGO input and presumably the IEO would want such input to improve the quality of evaluations. In addition the transparency reforms made so far facilitate NGO engagement with the IMF. Some of these changes are directed specifically towards NGOs, like the IMF Civil Society Newsletter. The IMF interacts with NGOs on a global level through consultations, like for example in the process of setting up the IEO, but also through meetings between IMF and NGO representatives which is something rather new. Although such contacts have increased, they are not formal and influence for NGOs is very limited.

In the IMF’s new strategy for developing countries ownership has become a keyword. Ownership entails the idea that projects should be locally “owned”; meaning local interests and stakeholders should play a part in the formulation and implementation of projects. This means a possibility for local NGOs in influencing IMF projects. Country PRSPs for example should be formulated in collaboration with local civil society. The idea is that policies will be

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127 Scholte, p. 215.
128 O’Brien et al., p. 187.
more successful if they are accepted at a local level. Although this ideal is stressed in rhetoric, in actuality it often amounts to bringing around and adapting diverging interests with that of the IMF.\footnote{Ibid.}

This nonetheless shows that the IMF feels a need to engage with NGOs. Partly this has to do with increasing effectiveness and the success of projects. Including NGOs both on a local and a global level can provide important outside input. It also has to do with the fact that NGOs, if their concerns are left unattended, can become a problem for the IMF by actively working against the organization.\footnote{Ibid., p. 203.} More broadly it also has to do with the legitimacy of the IMF and its projects. Increasingly there is a need for the IMF to engage with NGOs if the organization is to be perceived as legitimate in the eyes of NGOs, and more broadly the public at large. Although this engagement has been rather limited likely because of a weak interest in the IMF itself and also by member-states to include NGOs to any greater extent in the IMF’s work.

\section*{7.4 The IMF and Legitimacy}

By looking at the developments in the IMF through the 1990s and more recently it seems clear that there are significant changes in the organization. Some would be more sceptical and argue that the changes are really not that important. True, the more basic problems of quota and voting distribution have remained although there have been some internal work on the subject of quota distribution.\footnote{IMF, ”Report of the Executive Board to the International Monetary and Financial Committee (IMFC) on Quotas, Voice, and Representation: Prepared by the Finance and Secretary’s Departments”, (September 24, 2004), http://www.imf.org/external/np/fin/2004/eng/092204.htm (2006-08-04).} The IMF is still a rather inaccessible organization where a lot of material is not publicly available. It is nonetheless the case that a significant number of changes have taken place and that the IMF has become more open to external input and scrutiny.

Issues such as improving transparency have been forwarded by NGOs trying to engage with the IMF. Several concerns of NGOs relating to the policies of the IMF have been included such as environmental issues and a more social focus. At the same time the IMF’s openness to NGO concerns has been limited partly due to the fact that NGOs until recently have not been as focused on the IMF as on for example the World Bank. The IMF has seemed, and in effect has been, more inaccessible for NGOs. There has been some reluctance to engage more with
NGOs and their concerns on the part of the IMF relating to the internal bureaucratic culture of the organization. In engaging the IMF, NGOs have been faced not only with a strong neo-liberal consensus but also an organization which is highly hierarchically organized where there has been significant scepticism regarding increased NGOs influence. NGOs have themselves not created this shift though but increasingly member-states have taken up such concerns as well.

Looking at the motivations behind developments in the IMF there is emphasis on not only the effectiveness of the organization but also on accountability, public acceptance and approval, and more broadly confidence of member-states and the public in the IMF. This arguably signifies a shift in which the IMF increasingly sees the need to engage with outside actors and take measures to improve its image and legitimacy. The organization has reacted to criticism and a changing environment with and a wider audience concerned with the IMF and its work. Changes in the IMF of course takes place within certain frames of what is acceptable to member-states but there is also a concern with how the organization can best promote its mission and retain its legitimacy as an expert organization. The IMF needs to strengthen its external credibility while at the same time it is recognized that such reforms can have positive effects in promoting organizational learning and providing outside input that can be positive for the effectiveness and success of the organization.

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132 O’brien et al., p. 189-190.
8. The World Bank

The World Bank of today has changed significantly from its origin both in its organization and in the policies it promotes. The Bank, like the IMF, has conditions attached to most of its loans and has moved further into previously domestic issues in order to pursue its mission of poverty alleviation and development.

Originally the World Bank consisted of only one institution, the International Bank for Reconstruction and Development (IBRD). With time a number of auxiliary organizations were created; the International Financial Corporation (IFC) in 1956; the International Development Association (IDA) in 1960; the International Centre for the Settlement of Investment Disputes (ICSID) in 1966; and the Multilateral Investment Guarantee Agency (MIGA) in 1988. These together form the World Bank Group, while the IBRD and IDA are usually referred to as just the World Bank or simply the Bank. Unlike the IMF the Bank (IBRD) provides project specific long-term loans, but also development policy loans to support institutional and policy change in borrowing countries.

Although now strongly influenced by similar economic ideals as the IMF, the Bank has previously promoted and supported various development models. The organization can in fact be seen as rather progressive in adapting to new challenges and new ideas on development. In the 1980-90s the Bank became more engaged in issues of institutional and policy change in borrowing countries. The organization has continuously been a target for criticism by NGOs and various other critics. In the 1980-90s such criticism and NGO engagement increased. The Bank however has also had a more open relationship with NGOs than for example the IMF and is as mentioned more prone to internal and policy change. This does not mean that the Bank listens and adapts to every demand of NGOs, far from it. The organization has however changed more quickly and in slightly different ways than the IMF in response to legitimacy critique.

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134 Ibid., pp. 16, 21-22.
8.1. Role, Mission and Organization of the World Bank

The World Bank was originally meant to play a role in the reconstruction of post-war Europe but ended up playing only a lesser part in this. Instead the Bank started focusing on developing countries.\textsuperscript{135} Initially this was a question of channelling private capital for specific projects. The Bank eventually began to embrace its role as a development organization raising funds on private capital markets and lending it out again at near market interest rates. The IDA was created to provide funds for the poorest developing countries at more favourable conditions, so called soft loans. In a way the World Bank can be said to have a dual identity in that it is both a bank that provides loans as well as a development organization. These two aspects of the Bank are discernable in the different sub-organizations now under the World Bank Group umbrella; the IDA in providing long-term development loans and the IFC and MIGA promoting private investment in developing countries.

\textit{Mission}

Looking at the Articles of Agreement of the IBRD there is a lot of focus on reconstruction, which is connected to the original intention of the Bank, but also on development of its members which is now the Bank’s primary concern in the shape of poverty reduction. The original purposes of the IBRD are broad and applicable still today. Article I of the IBRD Articles of Agreement talks about the Banks role in assisting in the development of its members and in promoting private investment, working as a guarantee to encourage private investments by participating in and arranging loans and projects.\textsuperscript{136} The mission of the World Bank is rather loosely defined resulting in an organization that needs to make something out of this broad mandate. As mentioned the Bank has pursued various strategies over time.

The Bank today defines its mission as reducing global poverty and helping its members achieve the Millennium Development Goals. It does this by creating the right conditions for economic growth by “building capacity” (institutional reform and education) and helping to create “infrastructure” (functioning legal and regulatory systems) among other things.\textsuperscript{137} This more overarching strategy of reforming developing countries is rather different from the

\textsuperscript{135} Ibid., p. 14.
Bank’s original way of promoting development through specific projects often relating to quantifiable improvements in such areas as transportation and industry.

The Bank has since the 1980s increasingly come to see itself as an organization whose role is not only to provide funding for specific projects, but to support more broadly reform of economic policy and institutions to help promote poverty reduction and development. The Bank has become increasingly involved in the domestic policies of lending states as conditionality requirements on loans have come to include issues such as institutional and policy reform.

Another important part of the World Bank’s role is its expertise and knowledge on development. The Bank is an authority on development in that it employs numerous experts and conducts research on development issues. Providing technical assistance has previously also been part of the Bank’s work but this has become even more important in the 1990s. The bank is not only a lending institution but also a knowledge institution providing education and analytical services. The World Bank in an important way defines what the best development approach is at a given time.

Organization

The World Bank is very similar to the IMF in several aspects, such as how votes are distributed. Although the World Bank Group consists of several organizations, the president of the World Bank is also president of the other organizations. The IDA and the IBRD are closest together while the ICSID, MIGA and IFC are more independent. The Bank is also a much larger organization than the IMF in terms of employees and budget. Being essentially a sister-organization to the IMF, the World Bank has a similar governance structure, with a Board of Governors with representatives from all member-states as the highest decision-making body, and an Executive Board with 24 representatives. The Executive Board has the same overarching responsibility of supervising the work of the Bank while also representing the member-states. Leading the World Bank staff is the President of the Bank.

Since voting shares are distributed in a similar way as in the IMF, reflecting the relative economic strength of members, developing countries hold a minor share of the votes. This also reflects the original intention of the IBRD as an organization involved with reconstruction of post-war Europe where the shareholders were also the stakeholders. Subsequently the Bank has expanded in both size and in its operations and today has a very different role than at its creation.\textsuperscript{141}

As in the IMF, the Articles of Agreement of the Bank specifies that a number of basic votes (250) should be allocated to each member, reflecting a compromise between the equality between countries principle while at the same time reflecting the relative economic strength of members.\textsuperscript{142} As in the IMF the importance of these basic votes has diminished while at the same time membership numbers have risen. As members in the World Bank, each state subscribes to shares of the Bank’s capital stock. Each member has to subscribe to a minimum number of shares and is given votes for each share, in addition to the 250 basic votes every member has. The Articles of Agreement specifically provides that the five largest shareholders can appoint their own Executive Director.

The largest share of votes is held by the US which has a predominant role in the organization. The US effectively has a veto against any major changes in the organization, a veto which it has protected.\textsuperscript{143} As the President of the Bank is also by tradition a US citizen one could imagine the relationship between Bank management and the US to be unproblematic but so has not always been the case. The US Executive Director however has a very large influence in the organization and the US has significant informal influence.

\textit{Autonomy}

As with the IMF it is important for an organization such as the World Bank to seem impartial and relatively free from political influence from member-states. There are some aspects of the Bank that gives it significant autonomy in its operations but at the same time there are important limitations on that autonomy. It is the case in the Bank, as in the IMF, that the Executive Board cannot be involved in every detail which gives staff and management some independence. At the same time loans that are not likely to be accepted by the Executive Board are not likely to be presented by staff either.

\textsuperscript{141} Woods, 2001, p. 86.
\textsuperscript{142} World Bank, “IBRD Articles of Agreement”, Article V, Section 3.
The Bank goes to some length to present itself as an impartial expert institution offering the best research and advice on development. But at the same time looking at the history of the Bank, what policies it has suggested and what loans it has made, there are reasons to be cautious about drawing assumptions about the level of autonomy in the World Bank.\textsuperscript{144}

In raising money on private markets and lending out to developing countries, the Bank is not directly dependent on contributions from member-states for its projects. Still loans may be disapproved by the Executive Board if they are not to the liking of central members. An important limitation in the Bank’s financial autonomy is the IDA which is directly dependent on resources from member-states. Replenishment of IDA assets, which takes place every three years, has been used as a tool by the US to influence the Bank on a number of occasions. It was for example a demand by the US in 1993 that the Bank establish an inspection panel for continued supply of funds to the IDA.\textsuperscript{145} In the Bank’s research and types of development the organization promotes, influence from the US can be seen as well.\textsuperscript{146} Still such influence is not direct and has shifted over time.

In summation there seems to be significant opportunity for Bank staff autonomy in developing projects and in what research the bank pursues but there are also limitations on this autonomy specifically related to the predominant position of the US in the organization. It is nonetheless vital for the Bank to appear impartial and not just furthering the interests of its most powerful members for it to retain its legitimacy as an expert organization.

8.2. Legitimacy; Problems and Criticisms

The World Bank has continuously been criticised for the kind of development approaches it promotes which is understandable for such a central organization as the World Bank. Some have specifically argued that the Bank in the past has not adequately attended the social side of development and the consequences of projects.\textsuperscript{147} The Bank has admittedly had some problems with the success rate of its projects. If the success of projects and policies can be easily questioned it is naturally damaging to the organization’s overall legitimacy and status as an expert organization on development. A reason for the organization’s recent focus on local participation through for example the formulation of PRSPs is to increase public

\textsuperscript{144} Ibid., pp. 150-151.
\textsuperscript{145} Ibid., p. 138.
\textsuperscript{146} Ibid., pp. 139-144.
\textsuperscript{147} Oxfam, \textit{A Case for Reform: fifty years of the IMF and World Bank}, Oxford: Oxfam, 1995, p. 3.
acceptance of projects and World Bank supported reforms in developing countries thereby also increasing the success rate of projects.

Although the major member-states naturally are a central influence on what policies the Bank promotes, NGOs have also been engaging the organization to influence its policies both on specific projects and more broadly which has had some effects on Bank policies. NGOs have influenced the direction of the World Bank by bringing attention to issues such as environmental and gender aspects of the Bank’s policies and projects. On the procedural side there have been largely the same criticism as with the IMF. As mentioned above, developing countries which are naturally more involved with the Bank and affected by its policies are also underrepresented. Improving mechanisms of accountability in the Bank has become a central concern for NGOs and more lately some member-states. The issue of accountability towards stakeholders is probably most relevant in the Bank compared to the IMF or the WTO, as the Bank is involved in specific development projects with more tangible effects.

Representation and Influence of States

As the World Bank has the similar problems of under representation of developing countries as the IMF, this is naturally a central issue for its legitimacy but also one that is unlikely to change any time soon. The grouping together of several countries with a smaller percentage of voting power being jointly represented by one Executive Director virtually diminishes the ability of those countries to both influence the organization and exerts any kind of accountability. For example one group of 22 mostly African developing countries are represented in the IBRD by one Executive Director having 3.41 percent of the total votes. Although most decisions in the Executive Board are reached by consensus the importance of the voting system cannot be overlooked.

This system is at the centre of criticism and arguments in favour of reform of the World Bank governance structure. Naturally such a reform is difficult to even begin to discuss and there seems to be little incentive to do so. Significantly the US has retained its veto power and ability to block major changes in the organization despite the fact that its share of votes has gone down slightly over the years. Although this is a central issue and some attention has

148 O’brien et al., pp. 64, 154.
151 Oxfam, p. 44.
been brought to it by both NGOs and developing countries,\textsuperscript{152} such more overarching reform arguments have had little effect. Instead arguments to improve the organization’s accountability by strengthening the use of evaluations and improving transparency have had more effect. The change in the Bank towards promoting local participation in developing countries could perhaps improve developing countries’ influence in specific projects but not in the organization as a whole. In addition many developing countries lack the resources to have the kind of informal influence enjoyed by more wealthy members.

\textit{Influence for NGOs}

For NGOs the World Bank has been a more interesting target for lobbying than the IMF. The organization has also become more engaged with NGOs on both a global and local level. While Bank engagement with NGOs occurred earlier, it is really in the 1990s that the dialogue has gathered speed and the Bank has begun to emphasize its own cooperation with NGOs locally and globally.\textsuperscript{153}

The Bank and its projects are continuously scrutinized by NGOs concerned with specific issues and the consequences of World Bank funded projects. One reason the Bank could be seen as a more interesting target than the IMF is the often more direct consequences of its projects for example contributions to dam constructions which can have adverse affects on a local level. The Bank’s increased concern with economic policy reform in developing countries in the 1980s and 90s has been the target of criticism by many NGOs critical towards the top-down approach perceived as imposing structural adjustment reforms on developing countries. In 1997 for example the Structural Adjustment Review Initiative (SAPRI), a collaboration between the World Bank and a network of NGOs, was launched. One of the objectives was to increase the participation of grassroots movements in the Bank’s development work.\textsuperscript{154}

NGO arguments for better influence in the Bank resulted in the creation of the NGO-World Bank Committee in 1982 as a formal site of interaction between the Bank and NGOs. This forum however has been heavily criticized by NGOs as being an inadequate and lacking solution and is apparently not playing an important role.\textsuperscript{155}

\textsuperscript{152} G24, Communiqué, “Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development”, (September 23, 2005), http://www.g24.org/09-05ENG.pdf (2006-08-09).

\textsuperscript{153} O’Brien et al., p. 118.


\textsuperscript{155} O’Brien et al., p. 29.
The Bank has nonetheless begun to include NGO concerns in its projects and policies as well as in evaluations of projects. Changes in the Bank’s stance can be seen in the increased focus on the social side of development as well as the environmental impacts of Bank funded projects. More recently with the Bank’s focus on participatory development, NGOs are given a degree of influence in Bank projects. In this new approach the Bank recognizes the importance of local participation to contribute to the success and legitimacy of Bank supported reforms. Local NGOs are thus seen to represent stakeholders in affected communities. Some are however sceptical towards the actual degree the Bank is listening to NGO concerns and such criticism of the Bank has come from within the organization as well.156

Transparency

The poor transparency in the Bank has been a criticized by NGOs trying to engage with the organization but has also become a concern for some member-states. This is a highly relevant critique of an organization where decisions can have direct impacts on people in developing countries. Especially since the Bank has become more involved in the domestic policies of developing countries. There is also an effectiveness argument, forwarded by NGOs, that the success rate of the Bank’s projects will be improved with improved transparency and local participation.157

Arguments for improved transparency in the Bank can be linked to NGO engagement with the organization since transparency is a prerequisite for outside actors to engage the organization. The Environmental movement can be said to have been quite successful in influencing the Bank both in arguing for greater attention to environmental issues as well as transparency reform and greater input for NGOs. Eventually the transparency critique also received support from important member-states as well, which has put pressure on the Bank to further improve its transparency.158

156 Ibid., p. 29, 119.
157 Ibid., p. 132.
Accountability

Since the World Bank has the same basic governance structure as the IMF, similar problems of accountability towards member-states can be seen. The ability of developing countries to influence the organization is seriously limited and the Executive Board itself is limited in its capacity to supervise the organization. However criticisms of the World Bank as being unaccountable has focused on other possible solutions to improve the accountability of the organization, and as will become clear, other solutions have been developed. Criticism of the World Bank has not just concerned the voting system but more broadly the ability of stakeholders in countries affected by Bank projects to have some ability to voice their concerns in the organization.

The arguments for improved transparency in the organization are of course linked to the accountability of the organization as a whole. NGOs engaging the Bank have argued for increased transparency as well as inclusion of NGOs, and civil society more generally, on a local level in specific projects to improve the quality of projects as well as the accountability of the Bank in its development work. These arguments have actually led to significant changes in the Bank which is now reiterating such similar arguments in its transparency reform and participatory development work.

5.3. Changes in the World Bank

Transparency

The World Bank since the 1980s has become a much more accessible organization engaged in promoting knowledge about its work and mission. The increased transparency in the Bank has to some extent been a response to criticism from NGOs trying to influence the organization but transparency has also become an argument for improving the quality of projects as well as the effectiveness of the organization as a whole. This line of reasoning has become more common in the Bank.

In 1993 the Bank started to make more information material publicly available. At the same time the organization started promoting greater awareness of the Bank’s work by establishing
Public Information Centres (PICs) at locations around the world. In 1994 the Bank further expanded the amount of information made public with the implementation of a disclosure policy. Subsequently the work to improve transparency at the Bank has continued and has come to include projects papers at initial as well as completion stages and assessments of for example Heavily Indebted Poor Country (HIPC) and PRSP documents, in addition to summaries of Executive Board discussions of such documents. In 2001 there was a review of the disclosure policy following internal reviews of the transparency work as well as external public consultations with NGOs and member-states. Following this, transparency at the Bank was further increased when the Bank implemented a new revised disclosure policy in 2001-02. Available documents were expanded to include more documentation on projects including evaluations and Country Assistance Strategy (CAS) papers. In addition the archives were made more available, although with restriction periods. The issue of confidentiality is a concern in the Bank as well as in the IMF, and documents can be withheld from publication for such reasons. It was also decided to “investigate options” for translation of certain documents to other languages and to strengthen the Public Information Centres.

In 2005 further revisions were made to the Bank’s disclosure policy to “reaffirm the Bank’s commitment to ensuring increased transparency”. All in all, the amount of information available on the Bank’s work and projects has been expanded significantly, which can be seen as at odds with the previously rather secretive character of the organization.

The efforts to increase transparency in the Bank have been closely tied with improving effectiveness and quality of development projects. Attention is however also on improving accountability of the organization in its involvedness in developing countries. The Bank’s transparency reform work should thus be seen in combination with its increased cooperation with NGOs and the Bank’s new attention to “participatory development” in order to improve the success rate of its projects.

The work of NGOs has been instrumental in “opening up” the Bank. The Bank, being a more relevant target for NGOs than the IMF, has been continuously engaged by NGOs trying

161 World Bank, Press release No. 2002/070/S.
163 World Bank, Press release No. 2002/070/S.
165 Woods and Narlikar, p. 9.
to influence the organization and viewing increased transparency as a necessity to be able to gain information.\textsuperscript{166}

The idea that increased transparency is positive for effectiveness and for the organization’s legitimacy as a whole has also gained ground in the Bank.\textsuperscript{167} Still there are problems in the Bank’s transparency work pointed out by NGOs as well as member-states. Partly this has to do with the size of the Bank and the amount of material made available which can be difficult to access and understand by outsiders. The Bank has however been more proactive in reaching out than for example the IMF through its Public Information Centres and efforts to translate certain documents. More could also be done, it has been argued, to make available information on discussions in the Executive Board and the position of member-states on important issues. This means however moving into a sensitive area where member-states are probably more cautious in supporting increased transparency.

\textit{Accountability}

The World Bank was early in its establishment of an evaluation unit compared with the IMF. The Operations Evaluations Department (OED), now renamed the Independent Evaluation Group (IEG), celebrated its 30 years anniversary in 2003. In a similar way as in the IMF although much earlier, the decision to create a unit dedicated to evaluation grew out of a desire to expand already present internal auditing to include more encompassing evaluations in the light of organizational expansion.\textsuperscript{168} The OED then grew out of various experiments with evaluation. The stated benefits of an evaluations department in the Bank are that it contributes to organizational learning, assessment of projects and accountability.\textsuperscript{169} Although the accountability idea entered the stage later in the OED’s development, its independence was seen as important from the beginning to contribute to the credibility of the Bank. The recent renaming of the OED to the IEG could also be seen as indicative of the importance placed on independence. It should be noted that the IEG is the evaluations unit of the IBRD and IDA while the IFC and MIGA now have their own evaluations units.

The Inspection Panel of the World Bank created in 1993 can also be seen as a major step towards improving the accountability of the Bank, specifically directed towards people

\textsuperscript{166} O’brien et al., pp. 30-31.
\textsuperscript{167} World Bank, “About Information Disclosure”.
affected by Bank projects. This allows people who feel they have been negatively affected by projects to make their concerns heard at the Bank. The role of the Inspection Panel is thus to address stakeholder concerns and ensure that the Bank has followed its own procedures. The Panel can make an initial assessment and recommend whether or not an investigation should be made which then is up to the Executive Board. Such assessments are made publicly available. The Board also decides what action should be taken based on the findings of such an investigation.\(^{170}\) The Inspection Panel is thus very much controlled by the Executive Board which can be seen as a problem in that the actual powers of the panel are limited, at the same time it is an important mechanism for improving accountability towards stakeholders.\(^{171}\)

In these developments both a certain logic of improving effectiveness of the organization and its projects, as well as improving accountability is present. In the 1980-90s the Bank experienced significant problems with the success rate of its projects. Thus the need to improve effectiveness and quality of its work became important for the success of the Bank as a whole. In the light of this the Quality Assurance Group (QAG) was established in 1996.\(^{172}\) The purpose of which was to provide real-time assessments of Bank projects within the broader mission of the Bank as a whole. Part of the QAG’s mandate is also to increase accountability of Bank management and staff.

Another relevant development is the establishing of a Compliance Adviser/Ombudsman (CAO) for the IFC and MIGA in 1999 following consultations with member-states as well as NGOs and members of the private sector.\(^{173}\) The CAO can take up complaints raised by concerned stakeholders affected by IFC and MIGA projects but the mandate is rather weak. The CAO can simply put assist in addressing such concerns and make recommendations but not much more. A focus is on improving and overseeing the environmental and social effects of IFC and MIGA projects.\(^{174}\)

\(^{171}\) Woods and Narlikar, p. 10.
\(^{173}\) Woods and Narlikar, p. 10.
\(^{174}\) http://www.cao-ombudsman.org/
Openness to NGOs

The World Bank today puts much emphasis on local participation and acceptance of projects. This approach is a change from the Bank’s strategy in the 1980s of imposing conditionality. Instead the new thinking is that for projects and reforms to be politically and socially sustainable they must be better grounded in societies. In line with this the Bank has put more emphasis on ownership and participation. This entails an opening for NGOs to influence the Bank in its development work and as mentioned the Bank is also arguing for the possible benefits of including NGOs in the development process.

The Bank has a relatively long history of interaction with NGOs and in being a target of NGO attention. In the 1990s this interaction became more important for the Bank and the number of projects in which NGOs were involved increased significantly to around 70 percent in 2003. The Bank’s interaction with NGOs is to a large degree centred on the Bank’s operations, its work in developing countries. However the Bank also engages with, and is affected by, NGOs on a more global level seen for example in how the Bank over time has included NGO concerns in its policies. The Bank interacts with NGOs on several levels, global, regional and country, and has staff dedicated to Bank-NGO interaction. The Bank is increasingly trying to reach out to and provide information specifically directed towards NGOs. Part of the Bank transparency reforms is also how to better reach out with information relevant to specific countries or projects. The term outreach has become an important concept.

There are a number of incentives for the Bank to engage with NGOs. NGOs are increasingly seen to have a comparative advantage on a local level in getting things done and contributing to the effectiveness of development projects. It is also recognized that NGOs, if their concerns are ignored can work as a counter force against the Bank, on a global level by actively working against the Bank through lobbying in member-states, and by affecting public opinion of the Bank in a negative way. At a local level it is also acknowledged that NGOs can play a role in promoting public understanding of the Bank’s work and in contributing to acceptance of projects and wider policy changes promoted by the Bank thereby improving the chances of success. Allying itself with NGOs can bring benefits to the Bank not only in terms of effectiveness but also in contributing to the overall perception of the Bank as a legitimate organization taking into account and listening to the interests and concerns of civil

176 O’Brien et al., p. 30.
177 O’Brien et al., p. 28.
society. This concern with being perceived as such a legitimate and responsible organization is seen in both its engagement with NGOs as well as its transparency and evaluations efforts.

8.4. The World Bank and Legitimacy

The Bank is an organization with significant potential for autonomy and it is important for the organization to appear impartial and rule guided. At the same time this autonomy is limited by the position of the US as the major shareholder. Still the Bank is an authority on development issues and a source of expertise and knowledge through its research and development experience. Important critiques have been directed against the organization relating specifically to its poor transparency and problems of accountability towards stakeholders in affected societies. Relevant changes in the Bank can also be observed in its improved transparency. The Bank’s increased engagement with NGOs on different levels is also part of this change. The already important role of evaluation in the Bank has also been strengthened and the Bank has several mechanisms that are seen to contribute to organizational learning and accountability.

Change can also be seen in the rhetoric used in Bank and its focus on public participation and increasing the visibility of the organization. This suggests an internal logic where organizational interest has changed and this is arguably what is occurring. However these changes are the result of a number of factors. NGO engagement with the Bank has been important in bringing these changes about, but the fact that concerns over transparency and accountability have been taken up by important member-states as well as inside the organization by Bank leadership is central. In the case of the Inspection Panel, US interest in the creation of such a mechanism was instrumental. But the reasons behind the decision to create an Inspection Panel have much to do with past failures in the Bank and internal critique relating to the poor quality of Bank projects as well as persistent NGO criticism. Changes in the Bank are a result of critique from a number of sites, member-states, NGOs and internal critique as well. Arguably the Bank’s early dialogue with NGOs has made the organization more sensitive to NGO concerns. Thus the Bank now sees the need to change in certain ways and respond to external criticism to legitimize itself, but also such changes are seen to bring possible benefits to the organization in terms of improving effectiveness.

179 O’Brien et al., p. 63.
9. The World Trade Organization

The WTO, established in 1995, is significantly different from the IMF and the Bank in several aspects. At the same time it is a central international economic organization with a role comparable to that of the IMF and the Bank and it has also been subjected to similar criticisms concerning its poor transparency as well as problems of accountability towards both member-states and stakeholders. The terms stakeholders in relation to the WTO becomes a bit more difficult to define since the WTO does not lend out money or finance projects in the way the IMF and the Bank does.

The establishing of the WTO as a development of the previous GATT system meant a strengthening of the international trade framework in several ways. It meant a further institutionalization in that the WTO is a real IO compared to the less institutionalized GATT. The WTO is a much more encompassing and authoritative framework than GATT. It deals with more issues than purely trade in goods covered in the original GATT such as trade in services, intellectual property rights and trade-related investment measures. The dispute settlement mechanism to deal with trade disputes was also developed significantly compared to the GATT which had a relatively weak dispute settlement system. In becoming more encompassing and authoritative the WTO has also become more intrusive in that more issues previously considered domestic concerns are now dealt with in the WTO.180

The WTO has also become a prime target for NGOs critical of the organization and what it stands for, wanting an input and a chance to affect what is discussed at meetings. Some NGOs are critical to the whole free-trade project while others are more constructive in their engagement with the WTO trying to for example include environmental issues in trade negotiations.

At the same time developing countries are also arguing for more influence in the WTO. It may seem at first as though the WTO offers more opportunity for input for developing countries as the organization operates on a one country one vote system. Most decision-making in the WTO is also made by reaching a consensus through deliberation and negotiations rather than formal voting. This however masks the fact that decision-making and agenda setting in the WTO to a large degree is dominated by the so-called Quad group consisting of the US, EU, Canada and Japan. Although there have been some development in the WTO to address criticism coming from NGOs as well as member-states, such as

180 Woods and Narlikar, p. 3.
improving transparency and letting NGOs into some meetings, the WTO has not changed as much as the IMF and the Bank. The reasons for this lie partly in the differing organization of the WTO as a more member-driven organization with a minor Secretariat. Trade is naturally a very sensitive political issue and the WTO is more controlled by its member-states than both the IMF and the World Bank. In addition it is still a relatively young organization.

9.1. Role, Mission, and Organization of the WTO

At the heart of the WTO is a liberal Laissez fair ideal, that free world trade will give overall benefits to all member-states. This argument is a major source of legitimacy and support for the WTO as free trade and the effects thereof are often perceived as something positive. It is also of course a source of controversy as there are actors less positive about the WTO and free world trade.

In combination with the creation of the IMF and the World Bank there were attempts to set up an International Trade Organization (ITO) as well. An ITO was never created however but a few years later the GATT system was created. Although the GATT can be said to have been a rather successful solution in promoting free trade it was nonetheless a rather weak framework for international trade cooperation.  

The WTO is essentially a meeting place for negotiation on trade issues between representatives of member-states. At the centre of the WTO are the WTO agreements, the overarching Agreement Establishing the WTO and agreements on the three central trade areas covered by the WTO; the GATT, the General Agreement on Trade in Services (GATS), and the Trade Related Aspects of Intellectual Property Rights agreement (TRIPS). In addition there are scheduled commitments that each member has agreed to make as well as the dispute settlement system and the trade policy review system. Trade policy reviews of member-states are performed regularly. Members also have to inform the WTO of specific trade measures taken. Such reviews were also part of the GATT and with the creation of the WTO the range of issues reviewed has also expanded to include issues covered by the WTO.  

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181 Cohn, p. 228.
Mission

Trade liberalization is the overarching objective of the WTO, drawing on liberal trade theory and the experiences of the pre-World War I period, freer global trade is seen to promote economic prosperity and contribute to international peace. This is a view that is strongly promoted at the WTO.\textsuperscript{183}

The WTO framework is a “single undertaking” where members agree to bind themselves to the rules of the WTO. Becoming a member in the WTO at the time of its creation thus meant accepting, without exception, the results of the final Uruguay Round of negotiations. The WTO was designed to be the common institutional framework regarding trade relations relevant to the WTO agreements.\textsuperscript{184} The functions of the WTO are to; facilitate the implementation, administration and operation, as well as to further the objectives, of the WTO agreements; work as a forum for trade negotiations; to administer dispute settlements as well as the Trade Policy Review Mechanism; and to cooperate with the IMF and the World Bank where appropriate “With a view to achieving greater coherence in global economic policy-making”. The WTO also provides technical assistance and education to developing countries.

The WTO is thus a strengthened rule-based system for world trade designed to promote negotiation on relevant trade issues where the organization administers and supervises the process. The rules-based character of the WTO means that the WTO framework works as the legal foundation of the world trade system.\textsuperscript{185} The WTO is a rule-making organization in that it is where rules on international trade are negotiated and established by member-states. In addition it is also where trade disputes between members are settled through the dispute settlement mechanism. It is also a supervisory organization in that it reviews the trade policies of member-states. The powers of the organization as such are however limited since the WTO is a member-driven organization with the WTO Secretariat being restricted in size and powers.

\textsuperscript{185} O’Brien et al., p. 136.
Organization

That the WTO is a more member driven organization means that all major decisions in the organization are made by the member-states in various councils and committees where all members are represented while the Secretariat has very limited powers. This can be distinguished from the IMF and the World Bank, as more staff-driven organizations, where more decision-making is delegated staff and leadership as well as the Executive Boards where state representatives have a dual function of representing both member-states and managing the organization. Decisions at the WTO are thus made by the member-states usually by reaching a consensus while the WTO as an institution, the Secretariat, does not have any significant decision-making powers.\textsuperscript{186}

There are several decision-making bodies in the WTO. Some are very specialized but all members are represented at all levels. The Ministerial Conference is the highest level where overarching issues can be decided on all matters relating to the WTO framework. On a more regular basis however it is in the General Council that decisions are made. The General Council is also the Dispute Settlement Body as well as the Trade Policy Review Body meaning that it is the same representatives in each case but concerning different issues and meeting under different rules. Below the Ministerial Conference and the General Council there are three councils for each of the three trade areas. At this level there are also a number of committees dealing with specific issue areas such as the committee on Trade and Environment.

Much negotiation in the WTO is however made informally in meetings including representatives from all member-states or between smaller groups. This is not something which is seen as a negative feature in the WTO rather it is acknowledged that informal meetings is a good, even necessary, way to reach a consensus later in the more formal meetings.

This layout of the organizational structure of the WTO overlooks the role of the WTO Secretariat. The WTO Secretariat is rather small and goes a long way to present itself as an impartial source of administrative and technical support.\textsuperscript{187} However an argument can be made from a constructivist perspective that the understandings and expertise of the Secretariat

can affect outcomes of negotiations and what issues are considered. The Secretariat of the WTO primarily has an administrative role but it also provides advice as well as some analytical work. The Secretariat is headed by the Director General and the staff consists mostly of economists and other specialized personnel such as specialists in international trade law. The WTO is an organization where certain principles and understandings on trade are central and also promoted by the secretariat which has an interest in the protection of the overall framework of rules and principles of the WTO as well as furthering an image of the organization as an administrative middle-hand. Such principles are also often shared by country delegates and other experts working in the WTO. The technocratic authority of the Secretariat and shared understandings common to the broader network of experts working in the WTO can then influence what issues are brought up on the agenda and how possible problems are interpreted. The WTO however is as mentioned a more member-driven organization where the role of the Secretariat in influencing outcomes and what issues are discussed is more subtle.

While the WTO Secretariat has rather limited powers and autonomy, it does share some characteristics with the IMF and the World Bank in that it is very important to retain an image of impartiality and expertise. The WTO is primarily a meeting place for negotiations among member-states on trade issues but as mentioned the WTO also shares several similarities with the IMF and the World Bank and has been subjected to similar critiques.

9.2. Legitimacy; Problems and Criticisms

With the creation of the WTO the scope of the global trade cooperation was significantly widened. The WTO has been criticized from various directions by actors critical towards the free trade project. This has been most notable in the demonstrations following WTO ministerial conferences. The organization has become a central concern for NGOs both radical and more moderate ones. The TRIPS agreement for example has been critically scrutinized by NGOs. Environmental NGOs have been trying to get the environment on the agenda of the WTO with limited success. In the process of trying to influence the WTO,

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189 Howse, pp. 359, 371.
190 Shaffer, p. 75.
191 Scholte, p. 219.
various NGOs have also pushed for transparency reforms and better possibilities to participate in negotiations. A common perception is that the WTO is a powerful organization where important decisions are removed from the domestic arena and where any form of accountability is difficult to exert. The WTO is indeed a more powerful organization than its predecessor the GATT with a quite authoritative system of rules on trade but then again those rules are a result of negotiations between member-states.

Concerning the procedural aspects of the legitimacy issue there have been similar arguments compared with the IMF and the World Bank regarding difficulties for developing countries to make them-selves heard, some form of input for NGOs, poor transparency, and problems of accountability. The issue of accountability in relation to the WTO becomes a bit different with more focus on increasing transparency of negotiations and improving accountability of member representatives towards national constituencies because of the more member-driven character of the WTO as compared with the IMF and the Bank which are also service providing organizations in providing loans which the WTO does not.

**Representation and Influence of States**

At first sight the WTO might appear to be a fairly democratic organization compared to the IMF and the World Bank. All members are represented at virtually all levels, representatives are selected by national governments and the ladder of delegation seems clear. The WTO secretariat is also very limited in its power and the whole WTO framework is developed by the member-states making decisions through consensus reaching. The WTO as a regulative and rule making organization can be perceived as quite powerful, especially with the stronger dispute settlement mechanism. But the WTO’s strength does not come from having a strong secretariat, rather because of a relatively strong support for free trade by central member-states. Seemingly the WTO is a democratic organization, so what problems are there with the WTO in relation to representation of member-states?

One problem relates to the WTO as a rather elitist and closed organization where many meetings are informal and behind closed doors. Such informal negotiations are an important part of the WTO before negotiations reach the more formal level in order to be able to reach a consensus between all members. Different clubs and groupings of states are numerous in the WTO and the whole process is by outsiders often seen as secretive and non-transparent.

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193 O’Brien et al., p. 149.
This lack of transparency is arguably a problem as the process of deliberation seems closed to outside scrutiny which also limits accountability of representatives and governments participating in negotiations.\textsuperscript{194}

Additionally although all members are formally equal, the WTO is to a large extent controlled by certain groups of states while others have very limited influence and ability to keep up to date with all issues. Large states with significant resources naturally have an advantage while many developing countries have difficulties in keeping themselves informed and get into negotiations only at a later stage. Informal meetings where the basic content of any deal is usually determined are dominated by the largest members.\textsuperscript{195} Although the WTO as such operates on a one country one vote principle and decisions are reached by consensus, it should be kept in mind that there are problems of representation and influence for some members.

\textit{Influence for NGOs}

The importance of NGOs for the future development of the WTO framework has become more apparent as NGO engagement with the WTO both directly and through lobbying in member-states has increased. Although NGO engagement with the WTO predates this event the Ministerial Conference in Seattle in 1999 can be seen as a central development showing the importance of NGOs and of wider public support for the WTO. The increased engagement of NGOs demonstrated the need to at least partly accommodate the interests of NGOs and to start thinking more about the social acceptance of the WTO.\textsuperscript{196} Some form of participation has been argued for by NGOs. Some of the arguments forwarded in favour of NGO participation have been that increased participation by civil society in the WTO can contribute to improving transparency and accountability in negotiations. Because of the inter-governmental character of the WTO such arguments have been rather modest aiming foremost at some kind of observer status for NGOs in negotiations.\textsuperscript{197} Because the WTO does not arrange loans or projects it becomes more difficult to define any stakeholders. This is a potential problem for NGOs as arguments for some form of input have to be based more broadly on their ability to forward outside views and information and possible benefits for the

\textsuperscript{194} Keohane and Nye, 2001, p. 20.  
\textsuperscript{195} Woods and Narlikar, p. 6.  
\textsuperscript{196} Van Rooy, pp. 57-60.  
\textsuperscript{197} O’brien et al., pp. 149-150.
WTO in terms of being perceived as a more open rather than closed and secretive organization which could contribute to its public legitimacy.198

Resistance to input for NGOs has been based largely on the inter-governmental nature of the WTO and the need for a level of secrecy in trade negotiations.199 Because the WTO is a member-driven organization some would argue that NGOs should forward their concerns at the domestic level instead and not in the WTO. Additionally resistance to include NGOs and their concerns for example in the area of the environment has been based on an argument that the WTO is primarily a trade organization and not the right place for such considerations. There is a concern that such interests could be protectionist in character and damaging to the future development of the WTO. Since there is a strong anti-protectionism sentiment in the WTO, NGOs trying to forward environmental or other issue need to adapt their arguments to the pro free trade ideals of the WTO.

As in the IMF and the Bank, when considering some form of influence for NGOs in the WTO there is also the problem of who such NGOs are representing. There is a risk of over-representing interests from the developed countries as most NGOs are based there. This could possibly be solved by including NGOs in discussions where it is clear that they have some claim to representing relevant interests or possessing relevant information, but sorting that out will likely be a problem.200 All in all the pressure of NGOs on the WTO has increased significantly and it is not feasible for the WTO to completely ignore this new trend. NGOs have faced critical official attitudes and scepticism but have had some limited success in getting attention to their issues.

Transparency

As mentioned the WTO is to often seen as a rather closed organization and increased transparency has been a central argument by NGOs. Transparency at the WTO has improved but the progress has been rather slow, in addition there are some relevant criticisms concerning transparency at the WTO relating to the ability of member-states to deny de-restriction of documents and the time it takes for information to become publicly available. The WTO is a rather young organization compared to the IMF and the World Bank and it could be argued that this is one reason why transparency reforms have not yet attained the

199 O’brien et al., p. 150.
200 Ibid., p. 151.
same importance at the WTO as in the IMF and the Bank. But arguably this has more to do with the traditionally closed character of trade negotiations and the inter-governmental logic of the WTO. When the WTO was created in 1995 transparency had already become an important issue in both the IMF and the Bank.

In fact a large amount of information is made public by the WTO on its website and most documents are de-restricted with limitations in areas that are perceived as sensitive such as tariff negotiations. Still critics argue that there are important limitations in how transparency is promoted at the WTO. First, it is argued that the ability of member-states to block de-restriction of documents seriously limits transparency. Second, there is a time lag before documents are released which means that relevant information is not likely to be released until after decisions have been made and thus limits the ability of outside actors to attain information. It could also be argued that there is a significant difference between actually being allowed to observe or participate in meetings directly and getting that information later. While it is true that there is a need for a level of secrecy in trade negotiations in addition to the fact that there are costs involved in increasing transparency in the WTO where the secretariat has a limited capacity, it could be argued that the time lag before documents are released is sometimes unnecessary. For transparency to be effective documents have to be available in a timely manner so that concerned actors can obtain them before any decision on the subject is made.

Accountability

The issue of accountability in relation to the WTO is problematic since it is not entirely clear how the WTO could be made more accountable. It is arguably not the WTO secretariat as such that needs to be made more accountable but rather representatives and governments participating in negotiations. The issues discussed above relating to problems of representation and influence for member-states, how NGOs could be included, and transparency also show that there is a possible accountability problem. But it is not clear how

201 Woods and Narlikar, p. 11.
203 Woods and Narlikar, p. 11.
204 CIEL, 1996, p. 11.
the accountability of the WTO and of member-states participating in the WTO can be improved.205

NGOs by arguing for increased transparency and participation hope to improve accountability by opening up negotiations and by providing outside views and critique. At the same time there is a concern that increased participation by NGOs could damage the effectiveness of the WTO as a forum for negotiation between states where some level of confidentiality is seen as needed.

So far suggestions for some form of evaluations unit for the WTO similar to that of the IMF and the Bank have been lacking. This is understandable since it is not clear what should be evaluated since the Secretariat as such is rather limited. It could be argued that what is needed is a better linkage between domestic politics and WTO negotiations through for example intermediating and domestically accountable politicians.206 At the same time a closer connection between domestic arenas and the WTO is also a potential risk for the future of the WTO. One argument for the WTO and GATT as it has operated traditionally is that it is necessary to remove trade liberalization negotiations from the domestic arena and away from the possible influence of protectionist interests.

9.3. Changes in the WTO

*Transparency*

In 1996 the WTO General Council adopted a decision on document de-restriction which was designed to improve transparency and public access to WTO documents.207 There it is stated that documents shall be circulated as unrestricted with a number of exceptions. Significantly those exceptions include important policy documents relating to agendas, decisions and proposals, as well as minutes of meetings of all WTO bodies except the Trade Policy Review Body.208 Although the decision appears to move the WTO towards increased transparency the actual changes were thus not that significant.209 As mentioned above there are some problems relating to the time it takes for documents to become available and the ability of member-

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206 Ibid., p. 23.
208 Ibid. APPENDIX.
states to block de-restriction which has lead to criticisms that the transparency at the WTO is insufficient. Any contribution to accountability is hampered by the fact that most important documents are still restricted and that de-restriction often occurs after the relevant decisions have been made.

Such criticism has come from central member-states as well. In 1998 the US, Canada and EU argued for improvements. The EU, in the WTO referred to as the European Communities, recognized that “Greater transparency is essential to reinforce the WTO as an institution and strengthen support for the multilateral trading system.”, and that transparency is an essential component of accountability and needed to improve the relationship between WTO and NGOs.\textsuperscript{210} The communication included proposals on how to improve transparency by widening the amount of documents publicly available and speeding up the de-restriction process. The US – Canadian view was similar arguing that for example minutes of meetings as well as Secretariat background notes should be made available.\textsuperscript{211} The US has specifically forwarded proposals to increase transparency in the dispute-settlement proceedings and to make the dispute-settlement process more open for outside input by for example allowing NGOs to submit views on disputes.\textsuperscript{212} Because of objections by some members there has been little progress in further transparency reforms despite these proposals.\textsuperscript{213}

Another important aspect of transparency at the WTO is the ability of developing countries to participate in and receive sufficient information on all meetings. Specifically a problem for many smaller developing countries is the fact that they are often excluded from some of the informal meetings that are an important part of the WTO. Although some changes have been made to make more information available to all members regarding informal meetings such as releasing minutes of meetings, many developing countries lack the resources to keep up to date.\textsuperscript{214}

\textsuperscript{213} O'brien et al., p. 140.
\textsuperscript{214} Woods and Narlikar, p. 12.
Openness to NGOs

The WTO has slowly begun to open up for NGOs by the above mentioned improvements in transparency. In addition, NGOs have been allowed to attend Ministerial Conferences of the WTO starting with Singapore 1996 followed by Seattle in 1999. NGOs wanting to attend need to demonstrate that their interests are relevant to the WTO and have to be accredited by the WTO. But the ability of NGOs to participate when accredited is limited to issue-specific symposia and contact with the Secretariat.215

The WTO General Council has the ability to make contact with NGOs pursuant to Article V:2 of the WTO agreement. In 1996 the General Council also adopted a number of guidelines for WTO – NGO relations.216 There it is stated that the Secretariat should have the responsibility of interacting with NGOs and that its activity in this area should increase. At the same time it was also emphasised that due to the character of the WTO, NGOs should not be allowed to participate directly in the WTO. The Secretariat has arranged a number of symposia with NGOs on specific issues such as trade and the environment.217 In 1998 the WTO Director General announced a plan to enhance contact with NGOs.218 This included increased contact between the Secretariat and NGOs by providing regular briefings in addition to a specific area on the WTO website for NGOs. This initiative by the Secretariat in the light of increased attention by NGOs was also seen to be positive for the WTO, but was necessarily limited to areas where the Secretariat had the ability to act. The WTO Secretariat can for example not open up the dispute-settlement process for NGOs without a consensus on the issue by all member-states as admittedly stated in the same announcement. This shows some of the differences between the WTO and the IMF – World Bank, with the WTO Secretariat having a more limited role and where more significant changes need a consensus among all members. More recently in 2003 an Informal NGO Advisory Body was established although very little information is available on this.219

217 O’Brien et al., p. 139.
219 Scholte, p. 216.
9.4. The WTO and Legitimacy

Developments in the WTO have been more limited than in the IMF and the World Bank, still there are some relevant changes relating specifically to improving transparency and participation for NGOs. The creation of the WTO not only expanded the scope of what issues are included in the multilateral trade framework but also resulted in a stronger institutional and regulatory framework. NGOs and other critics argue that negotiations and developments in the WTO directly affect people across the world and thus the negotiation process and the WTO as a whole needs to be made more transparent and accountable. As the WTO has become a prime target for NGOs some limited changes have been made to improve transparency and participation for NGOs. At the same time the WTO is essentially a meeting place for member-states and this inter-governmental character has been resistant.

The limited abilities of the WTO Secretariat and the need for a consensus between all members have meant that changes have been limited. Despite the fact that some central member-states have begun to argue for changes, as well as the initiative taken by the Secretariat, developments have been tentative. Critics argue that these improvements are not sufficient. A more participatory role for NGOs and further improvements in transparency is seen as needed to improve accountability in the WTO and the legitimacy of the multilateral trading system as a whole.220

There are no evaluations mechanisms in the WTO similar to that of the IMF and the Bank which is understandable because of the different character of the WTO as a framework for negotiations. Still it is recognized that some change is needed to improve public understanding and acceptance but it is not certain how this could be accomplished while at the same time retaining the effectiveness of the WTO as a forum for trade negotiations. As NGOs are arguing for more input in the WTO, developing countries also have problems with influence an organization which is to a large extent dominated by the developed countries.

The problems described are clearly damaging to the legitimacy of the WTO as an organization and arguably a problem for the future of the multilateral trading system.221 Although there are incentives for change from the Secretariat and some member-states to increase transparency and open up the dispute-settlement process and WTO negotiations, developments in these areas have been slow especially compared to the World Bank.

220 O’Brien et al., p. 152.
221 Howse, p. 396.
10. Conclusions

In light of the increased importance and expansion of the IEIs their legitimacy has become contested in that the organizations have been criticized for being undemocratic, secretive and unaccountable. In all three organizations there have been changes made to counter such accusations and attempts to improve procedural aspects of legitimacy and engage more with NGOs.

The issue of legitimacy for the IEIs has become more complex as more actors are involved in trying to influence policies and governance in these organizations. While the IEIs are still of course state controlled and primarily accountable to their member-states, the stakeholder concept has become important as the IEIs are seen to be accountable to not only their members but more broadly the people affected by their work.

In relation to the first research question; what changes can be observed in the IEIs relating to concerns over their legitimacy and how this is motivated some relevant developments have become clear. It is also apparent that more central and sensitive issues such as voting have been left relatively unattended. Since such questions relate directly to how states are represented the organizations themselves will not likely engage debates on such issues however.

The IEIs have begun to open up and become less secretive. Although this increased transparency is only partial, much more information on the IEIs is now publicly available. This transparency reform manifests itself in three general ways. First, there has been increased transparency in the relations between member-states and the organizations. Second, the IEIs have begun to release information concerning the internal workings of the organizations such as research and policy documents. Third, the IEIs are now more involved in promoting public awareness of their own policies and work seen most clearly in the Public Information Centres of the World Bank. Increased transparency is seen to contribute to accountability towards both member-states and affected stakeholders more broadly, but transparency is also seen to contribute to effectiveness. Especially in the World Bank the motivations given for transparency reforms tend to have both accountability and an effectiveness argument. In the IMF and the WTO similar arguments can be found but at the same time confidentiality in their relations with member-states is more of an issue.

Accountability has become a central concern, and in combination with increased transparency there have been some developments to further improve accountability by
formalizing and externalizing the use of evaluations and to make the results of such evaluations publicly available. The use of evaluations has become more established in the World Bank where several different mechanisms exist, but also the IMF with its recently created IEO has made some progress in this area. Motivations given by the organizations in developing evaluations mechanisms relate to their accountability towards both member-states and the public more broadly. External evaluation is also seen to contribute to organizational learning and improvements in projects and policies.

In all three organizations contacts with NGOs has increased although to differing extents. For the World Bank this cooperation takes place both on an operational level in specific projects and on a more broadly policy based level. A similar development can be seen in the IMF but more limited. The World Bank has had a longer relationship with NGOs and has been more adaptive to NGO concerns and criticism while the IMF and the WTO have a more limited engagement with NGOs. The IMF has only partially begun to increase its contacts with NGOs, and similarly the WTO has become more active in its relationship with NGOs but this relationship is still rather limited. Importantly NGOs are not allowed any sort of formal influence in decision-making but it is rather a question of consultation and collaboration.

Why these changes are occurring now?

The role of NGOs in bringing attention to issues of transparency and input for NGOs while trying to influence the IEIs has arguably worked in a catalyzing way. Such concerns have also been forwarded by scholars and eventually by member-states as well. In the IEIs themselves such concerns have also begun to proliferate and ideas have been developed on how legitimacy can be improved. While there is no simple explanation to why there is suddenly such a concern with transparency and accountability towards stakeholders the rising criticism towards the IEIs by NGOs has meant that such concerns cannot be ignored. As contacts between the IEIs and NGOs increase, there is a need to define this relationship and attend to existing issues of secrecy and problems of accountability.

For various reasons, including NGO lobbying on a national level, central member-states have also begun to argue for changes in the IEIs. This of course puts more urgency on such issues for the IEIs and a need to develop solutions to perceived problems. But the organizations are not simply passive actors responding to external arguments. The existing

222 O’Brien et al., p. 211.
bureaucratic culture in the organizations and the role of the organization as perceived by staff and leadership plays a part in how criticism is dealt with and what solutions chosen. An organization with a traditionally more secretive culture such as the IMF is likely less open to transparency arguments. In the IMF there was also some questioning of the need of an external evaluation office as the IMF supposedly is already an expert organization with a professional staff.

These changes all relate to improvements in the procedural aspects of legitimacy in responding to a wide array of criticism relating to both substantive and procedural aspects. With concerns over accountability and transparency voiced more and more, and an increasing engagement by NGOs, it has become necessary for the IEIs to deal with the “legitimacy issue”. To not make changes, however limited they may be, would mean rising resistance from NGOs and likely also dissatisfaction by member-states who are promoting such changes. In dealing with the legitimacy issue, within the frames of what is acceptable and desirable by member-states as well as what is beneficial for the organizations’ continued existence and the promotion of their missions, the basis of their legitimacy has undergone some significant changes. As the traditionally secretive and closed character of the IEIs is no longer as acceptable, improvements in transparency, accountability and some form of dialogue with NGOs are now seen as important components of their legitimacy.

### Why are there Differences?

The differences in how the IEIs have developed can be related to the differing roles of the IEIs, their differing organization, bureaucratic culture, and relative autonomy. What interest member-states have in promoting or preventing a certain development is of course also highly relevant. However, how the organizations react to criticism from outside actors also depends on organizational culture. Is the organization open to outside input or more closed, and is criticism forwarded by NGOs seen as compatible with the interests of the organization?

Partly this has to do with the areas they work within, their differing roles. The IMF and the WTO are concerned with issue areas that are more state centred and are more distanced from the claims of NGOs. Their differing organization also influences their openness to NGOs and the possible solutions that can be developed to counter legitimacy critique. The IMF as a rather technical organization has been less open to NGOs and slow to implement changes

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223 O’Brien et al., p. 214.
such as external evaluation. The Bank on the other hand has had a longer relationship with NGOs and is also a larger organization where alternative perspectives have circulated more freely. The Bank is also an organization that is more involved on a local level with specific projects and where local NGO involvement may bring benefits. In the WTO developments have also been limited because of the character of the organization as more member-driven.

Arguably the organizations, in reacting to criticism within frames acceptable to member-states, have eventually developed a real concern over NGO involvedness and public accountability but are still primarily concerned with accountability towards members and effectiveness. The relative autonomy of an organization is also relevant as the leadership has more or less ability to take initiatives and influence the direction the organization will take. It is also clear that member-states have differing interests in this development as some are more positive towards increased transparency while others are less enthusiastic. As shown in the WTO, the Secretariat of that organization has limited abilities to act while in the IMF and the Bank there is more room for initiative although this is not always used. If such ability to influence developments is used likely depends on the willingness of an organization’s leadership to promote change, which will be less likely if the organization has a traditional culture of secrecy and if the interests of NGOs are seen as peripheral or diverging from the interests of the organization. In the light of previous failures and criticism an interest in promoting organizational learning and improve the image of the organization can also lead to a more open attitude towards arguments for reforms, as seen in the IMF which has been criticised concerning its actions recently, and where also external evaluation has been increased in order to promote learning and accountability.

To conclude, the rising criticism by NGOs and the debate on the legitimacy and the democratic deficit in the IEIs has resulted in developments, specific to each organization but still sharing commonalities. In becoming more transparent and open to NGOs, the IEIs have also realized certain possible benefits for the organizations in including NGOs, increasing transparency and establishing evaluation mechanisms. These developments also fit into the argument that it is central for the IEIs to retain an image of impartiality and expertise.

How these changes are evaluated of course also depends on what theoretical perspective you have. Approaching this development from a realist view, these changes do not necessarily mean that much as the IEIs are still intergovernmental organizations primarily accountable to their members. Indeed, adopting a rationalist realist perspective would entail downplaying the IEIs as relevant actors altogether. The activity of NGOs on the international level would also be overlooked. This would arguably be a mistake as it seems clear that NGO activity on the
international level is highly relevant in understanding certain developments such as those explored here. Adopting a more pluralist perspective and viewing IOs as actors, will arguably lead to a deeper understanding of changes in IOs. It should be noted that although these changes arguably signify a shift in what legitimacy means for the IEIs it is probably warranted to be cautious in drawing analogies to other IOs. The IEIs have a rather unique character as central and high-profile IOs.

Following a constructivist perspective it can also be pointed out how interaction between various actors on the international level can lead to changes in norms which can also lead to changed state interests. The tensions between the IEIs as intergovernmental organizations and their relatively autonomous character are highlighted in the way in which these IOs develop. In the end however there are limits to what such developments can achieve and how democratic these organizations can become.\(^\text{224}\)

\(^{224}\) Dahl, p. 33.
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