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6. Enforcing the IMF in the global economy: an institutional analysis[1]

J.P. Allegret and P. Dulbecco

INTRODUCTION

The increasing number of financial crises hitting more particularly emerging markets has led international financial institutions (IFIs) to focus their attention on the reform of the international financial architecture. This new architecture focused mainly on the scope of IFIs activities, on the adoption of sound macroeconomic policies in domestic economies and on the way to stabilize the international capital flows.[2] A particular attention was granted to the question of the governance in domestic economies. Indeed, considering the positive link between good governance practices and economic performances, governance represents nowadays one of the main themes according to which the international institutions' policies are structured. The IMF involvement in governance derives from its mandate to promote macroeconomic stability and sustained non-inflationary growth (IMF, 2001). According to the IFIs, one of the causes of the financial crises during the 1990s were the inefficiencies of governance in emerging markets that is the weak protection of property rights, the lack of bankruptcy laws, few or weak contract enforcement mechanisms, the low quality of public policies due to corruption, and bad private-sector incentives explained by distortions due to state interventions in market mechanisms. As a consequence, IFIs became the main advocates of the adoption at a worldwide scale of "good practices" of governance. For example, the IMF used its conditionality to impose in countries under IMF programs specific measures dedicated to governance issues such as the design and adoption of standards in banking, the harmonization of domestic bankruptcy laws and the implementation of codes of good practices in fiscal, monetary and financial areas (Fischer, 1999). According to IFIs, good governance implies for governments to become more accountable and more representative of the civil society in order to strengthen their legitimacy and their degree of democracy.

Nevertheless international institutions, especially the IMF, have recently been severely criticized for their lack of both accountability and democracy which questions its political, as well as economic, legitimacy. Put in other

words it appears that the IFIs themselves do not respect the good governance principles required from countries under program (Woods, 2000). According to Stiglitz, the IMF "has pursued the collective interests of a subset of the international community, rather than serving the broader collective interests for which it was originally created" (Stiglitz, 2002, p.243).[3] Helleiner (2002) considers, in a close perspective, that the agenda of international financial liberalization resulted from the disproportionate influence of stronger countries and private interests.

Consequently the IMF has to face two closely interlinked challenges: on the one hand to improve the domestic governance of economies connected to the global capital market and, on the other hand, to respect itself the governance standards advised to countries members.

The point is that these two challenges both refer to the institutional dimension of the IMF. This dimension is however surprisingly often omitted when considering the usual terms of the debate on the governance of international institutions. The aim of this paper is to propose an analysis of these two institutional challenges which are at the center of the debates on the IFM reforms.

Focusing on the institutional dimension of the IMF means that the analysis should allow understanding the role played by the international institution in the market economy. When it is costly to transact and coordinate, then institutions matter (North, 1994). Institutions represent "orientation points" which has the authority to render both actions and individual expectations compatible. Like any other institutions, the main role of the IMF is then to facilitate coordination between decentralized agents, countries, which are ignorant of each other's actions and expectations. But in order to such a role be fulfilled requires that the two following institutional conditions are satisfied. These two conditions make reference to the enforcement property of the international institution IMF, that is to its capacity to influence durably agents' expectations and behaviors in a stabilizing manner.

The first condition deals with the IMF governance structure, its capacity to promote higher legitimacy, accountability, transparency and democracy. One can find here the necessary condition for the IMF playing its coordination function.

The second one refers to the compatibility between the standard institutional reforms agenda promoted by the IMF and the specific domestic institutional matrix met into each country under program. Indeed a criticism often addressed to IMF is its lack of adaptability when implementing institutional reforms in developing countries (Rodrik, 1999). Indeed one has to take into account that market institutions are specific to each domestic economy and are subject to path dependency constraints. Moreover the institutions of a domestic economy are mutually compatible and complementary (Aoki, 2001). That's why, in our view, the main challenge of the IMF is to promote reforms dedicated to strengthen domestic economies in

the new global environment together with warranting the coherence of institutional order in each country under IMF program.

But again, the necessary condition in order for such a challenge to be met makes reference to the IMF governance structure.

The remainder of the chapter is structured as follows. Section 2 analyses the necessary condition of the enforcement of the international institution IMF; measures in order to promote the IMF legitimacy are proposed. Section 3 put forward an analytical framework so as to evaluate the ability of the IMF to render compatible institutional reforms with the coherence of the institutional order in each domestic economy; this is our way of highlighting the issue of the enforcement of IMF. Section 4 concludes.

THE IMF LACK OF LEGITIMACY

Institutions are often conceptualized as the rules of the games in a society (North, 1990). We were told that there are two types of games rules: formal ones and informal ones. The necessary condition for the formal institutions to fulfill its coordination function is that it must be accepted as orientation point by economic agents. As a result a formal institution must be not only functional but also enforceable (Aoki, 2001). And the main concern becomes to inquire into the possibility of designing an institution that can implement a given social goal in a way that is compatible with the incentives of the players for a certain class of environment (Hurwicz, 1996).

In the case of IMF, the enforcement necessary condition is directly connected with the IMF legitimacy issue. Indeed the capacity for IMF to organize a coordination process well-matched with the countries objectives requires a strong acceptance of the IMF rules of the game by the numerous countries. However the difficulty lies in the fact that the IMF exhibits some important "institutional failures" which undermine its legitimacy. Indeed two critical issues concerning IMF governance have to be highlighted: (i) the weight of developing countries in a changing world economy and (ii) the ownership of reforms.

Weight of Developing Countries in the IMF Structure of Governance

IMF legitimacy is undermined by the asymmetry between industrialized and developing countries as the majority of the world's population is weakly represented within the Fund.[4] Industrialized countries remain the main shareholders, and hence the main initiators of reforms, in the Bretton Woods institution.

The cornerstone of this governance structure is quotas. The slow adjustment of quota-shares is in contradiction with the rapid transformation

of the world economy. There is now a large gap between the structure of the world economy and the repartition of quotas between member countries.

The legitimacy problem is the following: minor shareholders, the developing countries, have become the main "client" of the IMF. When they borrow from the IMF, they must apply corrective macroeconomic measures which exert a determinant influence on the domestic structures of these countries. For most developing countries, this influence appears non legitimate because they do not significantly participate to the decision-making procedure of the IMF. They consider that corrective measures are imposed by the most powerful industrialized countries.[5]

At the same time, IMF legitimacy is questioned by the influence exerted by stronger states. Barro and Lee (2005) find that political connections to the IMF are a significant explanatory variable of the probability and size of IMF loans.[6] Thacker (1999) studies the underlying causes of the IMF's behavior concerning lending decisions and sanctions if borrower compliance with IMF conditionality is weak. Decisions to lend are analyzed over the period 1985-1994 for 87 developing countries. This analysis clearly highlights that politics matter in the IMF and that the governance of international institutions becomes a major preoccupation once we take into account the influence of political factors. The necessity to control that the decisions of international institutions result from general interest and not from the strategy of powerful states in the world economy become more and more obvious.

One can find here the first institutional failure of the IMF as an orientation point which should render both actions and expectations compatible. Indeed, a necessary condition for an institution to play effectively the role of orientation point is that it must be accepted by every player. But such an acceptance requires first a better representation of the developing countries to the decision-making procedure and/or a less influence for political factors. It is otherwise difficult, if not impossible, for decisions taken by IMF to be accepted and efficaciously implemented by non-represented countries or regions. The risk, again, is that the IMF objectives might be seen as being in contradiction with domestic ones.

Ownership of Reforms

In his study on adjustment program, Killick (1995) identifies two major trends. On the one hand, programs exhibit high mortality or interruption rates.[7] On the other hand, the connection between structural adjustment programs and the implementation of policy reforms is weak, more particularly for institutional reforms. These weak results can be explained by the lack of ownership of reforms initiated by the IMF. Ownership refers to the extent to which the initiative for reforms planned in programs is local or external.

Traditionally, member countries borrow from the IMF in crisis circumstances. Under these circumstances, structural adjustment programs raise two major problems. First, in a context of imperfect knowledge about local particularities, the IMF cannot render domestic and global objectives compatible. The IMF does not take the time to invest in institutional knowledge. Second, the adoption of IMF programs does not result from consensus building. Not only does the IMF staff not devote enough time to ensuring that the government is fully involved in reforms, but also the government rarely consults the civil society. The letter of intent – in which the borrowing country formally presents the policies it will undertake to meet program objectives and conditions – is drafted in Washington. From this point of view, IMF reforms appear coercive and thus undermine ownership.

One can find here the second institutional failure of IMF. Lack of ownership also means that the risk exists that agents follow behaviors which may enter into contradiction with the rules of the game imposed by what could be seen as an external *deus ex machina*; the possibility also exists that agents try to escape from these rules. Again the global logic appears to be in contradiction with the domestic objectives.

To sum up, lack of ownership and the low weight of developing countries in the IMF governance structure constitute the two main institutional failures of the international institution IMF which undermine its legitimacy and hence its enforcement. As the enforcement property represents one of the necessary conditions for an economic institution to play its role and fulfill its function successfully, the question now is to examine the circumstances under which the enforceability IMF rules of the game should be enhanced.

Strengthening IMF Political Legitimacy

As previously explained the IMF design is confronted to the legitimacy challenge as well as the accountability and democracy one. Each of these challenges results from the deep difference between domestic and international institutions. The former are embedded in a coherent political sphere where citizens belong to the same political identity. The latter are embedded in international relations based on unequal partners. As a result, rules of the game are asymmetric not only in terms of construct, but also in terms of implementation and modification. The most powerful states exert a decisive influence in this area.

Accountability refers to the ability of people to exert a control on governments or institutions. The latter received a delegation to fulfil missions in the interest of the former. In a democratic system, a government is accountable to the majority of the citizens in a specific jurisdiction. For example, the government presents its program in front of the Parliament which is the democratic representation of citizens. The main pillar of this electoral accountability is the existence of a political community whose

citizens are members. In international sphere, there is no comparable political identity because there is no world government and no world identity. As a result, at a global level, electoral accountability cannot become a realistic system to control international institutions.[8]

Taking into account these difficulties, a more legitimate IMF rests on both an increase in the influence of developing countries in its structure of governance and the creation of a political body susceptible to influence the behavior of member countries. However it is important to highlight that the inequality between states which characterizes international relations implies that a strict application of democratic rules – largely founded on the principle "one citizen, one voice" – is inapplicable. Indeed, it should be contrary to a democratic principle to consider that a great country – Brazil for example – could have the same voting power than little countries such as Panama.

The voice of developing countries could increase by using two non-mutually-exclusive mechanisms: reviewing quota formula and modifying voting rules.

Quota formula review

Quota formula review is a major stake for the Bretton Woods institution. In 1999, the Managing Director requested a group of external experts who published a report (Cooper, 2000). The Board's mandate was clear: reviewing the quota formula with respect to "their adequacy to help determine members' calculated quotas […] in a manner that reasonably reflects members' relative position in the world economy as well as their relative need for and contributions to the IMF's financial resources, taking into account changes in the functioning of the world economy and the international financial system and in light of the increase globalisation of markets" (Cooper, 2000, p. 3). The review group has proposed a simplification of the current system based on one formula containing two variables, one representing a country's ability to contribute to the IMF's resources[9] and the other its external vulnerability.[10] Such a formula has not been applicable because it exacerbated the decline of developing countries quotas share. The failures of the Cooper Group have two main origins. First, the current formula runs into the "assignment problem": one instrument is dedicated to several objectives. As stressed by Kelkar, Yadav and Chaudhry (2004), it is necessary to assign a specific instrument to a particular objective. Second, the political dimension of any revision of quota formula has been underestimated. On the one hand, a quota formula respecting economic criteria – such as capacity of contribution to IMF's resources – seems contradictory with a political formula implying a new repartition of quotas shares in favour of developing countries. Any new repartition should not be based exclusively on economic reasons, but mainly on political factors linked to the IMF governance. On the other hand, a greater weight to developing countries should lead to more diverse coalitions implying a shift in the

balance of power. From this perspective, a more legitimate IMF must both maintain the confidence of creditor countries (otherwise the financial integrity of the IMF could be undermined) and give to developing countries a more participatory decision-making process.[11]

A practical and realistic solution to balance economic (financial integrity) and political (legitimacy) constraints is to restore the original share of basic votes in total votes. Basic votes determine voting rights of member countries without reference to economic criteria. In 1945, they constituted 11.3 per cent of total votes, but with regular quotas increases, their share declined to 2.1 per cent at present. Basic votes remain very important for countries with small quotas. For instance, out of 1983 members there are 25 countries for whom basic votes represent more than half of their individual voting rights. A restoration of initial share of basic votes would significantly increase the voting power of these countries without contradict the necessity to preserve the creditors' confidence: for the previous 25 countries, a return to the original ratio would increase the share of their basic votes from 0.406 per cent to 1.651.[12]

Voting majority rules

A second way to improve the position of developing countries in the IMF structure is to modify voting majorities. Decisions within the Fund are adopted on the basis on weighted voting power of the members. Ordinarily, a simple majority rule is required. But for sensible decisions – as a new SDRs allocation – special majorities are needed. Currently, there are two special majority rules: 70% and 85%. The second rule allows the United States to exert a decisive influence on the main IMF decisions. Indeed, it can exert its veto power with its 17.5% voting share. In addition, industrialized countries – through the Group of Eight – have a powerful position within the Fund. It is more difficult for developing countries to exert a veto power because of their limited capacity to coordinate between them. The number of decisions requiring special majorities has increased from nine categories originally to more than 50 at present. There is thus a strong relationship between the increasing role of special majorities votes and the expanded responsibilities of the IMF. This trend has created inequalities within the Board and more widely within the IMF governance structure. An increasing part of major IMF decisions – those relating to the IMF governance structure – are under the control of major countries. Such evolution undermines the legitimacy of the IMF. As suggested by the Overseas Development Council (2000), a solution to strengthen the IMF's legitimacy is to set special majorities below the voting share of its Board's main shareholder.

Woods and Lombardi (2005) propose a more radical reform: to extend within the IMF the double majority voting requirement. Indeed, under such a system, it is necessary to obtain a majority both in terms of votes and in terms of members. As a result, a more "contestable veto power market" could

be emerging in promoting more diverse coalitions – including both developing and developed countries to fulfil the majority members rules – between IMF members. Consequently the influence of developing countries in the Bretton Woods institution, and the IMF legitimacy, should be strengthened.

Improving the political legitimacy of the IMF

The political legitimacy of the IMF could be improved by creating a more effective political oversight on the part of the IMF. At present, the IMF as a political body is weak both in terms of legitimacy and effectiveness. Legitimacy is undermined by frequent political pressure from the governments of the major industrial countries within the Executive Board. IMF lending to Russia is a striking illustration of such pressures. Effectiveness is undermined by a fragile balance within the Fund between its shareholders and its management. On the one hand, governors of the IMF – who are already ministers in their country with full agendas – do not devote enough time to controlling IMF activities effectively. They tend to delegate their functions to lower level staff in their ministries or to the Executive Board. On the other hand, Executive Directors rarely spend more than three years in the Board. Unlike the staff, they cannot develop their expertise while there is a growing complexity and diversity of the IMF's agenda. In general, contrary to the principle of good IMF governance, there is neither effective political leadership nor a strong Executive Board.

In order to meet these two objectives, it seems to us necessary to promote both a more political body within the IMF and at the same time a less political decision-making process in the Board.

One way is to transform the International Monetary and Financial Committee (IMFC) (the former Interim Committee) into a body possessing real decision-making power. At present, this committee, which stems from the Committee of the Twenty, which dates back to the early 1970's, is composed of 24 members: IMF governors, ministers or officials of similar rank. The IMFC meets only twice a year. Notwithstanding its ministerial level and thus its political character, the IMFC has no formal decision-making power, being merely consultative. In addition, the frequency of its meetings is too low to permit it to exert a real impact on the management of the world economy.

An additional method could be to constitute the IMF's Executive Board at ministerial level.[13] The Executive Board is the IMF's true, permanent, decision-making authority. However, as presently constituted, the Executive Board does not have the political power that would enable it to discuss with member states at the same level of political competence and responsibility. Such a transformation of the Executive Board into a ministerial decision-making body, called "Council", was provided for in the second amendment of the Bretton Woods Agreement (in 1978). But it is necessary to find a

balance between the current absence of political body within the IMF and the risk of an excessive politicization. In order to avoid a problem of excessive politicization of the Board, different measures, more complementary than mutually exclusive, can be envisaged.

First, with respect to central banks, the independence of the Executive Board should allow it to take decisions without political influence from its main shareholders.[14] Taking into account the strong influence of the Board on the agendas of national governments, this is a crucial measure. So, its decisions should be better accepted by members.

Second, the Executive Board must be accountable for its actions to a political body which represents the international community. Under the condition that the IMFC becomes the effective political body of the IMF, the Executive Board could regularly present its results and projections to the IMFC. Members of the IMFC could be composed of nonresident personalities (as suggested by Keynes in 1944) and in charge of broad oversight of the IMF and not directly implicated in specific decisions of it (Cottarelli, 2005).

Third, the term office of the Managing Director could be limited to six or seven years in order to decrease the influence of major shareholders. Indeed "the power of the major shareholders increases as the term of the chief executive begins to reach the current five-year limit and his eagerness to be re-elected becomes a factor in his willingness to bend to their wishes" (Kapur and Naim, 2005, p. 13).

Overall, if the main objective of any IMF reform is to increase its capacity to organize the coordination process worldwide, its political legitimacy must be strengthened by two main categories of reforms. First, the influence of developing countries – the main clients to the IMF – should be significantly increased by restoring the initial share of basic votes in total votes and by introducing a double majority rule. Secondly, the reduction of the political influence of the major shareholders of the IMF implies to create an independent decision-making process in the Board. At the same time, in promoting reforms in member countries, the IMF must take into account the domestic institutional constraints.

FINDING A COMPLEMENTARITY BETWEEN THE GLOBAL SOCIAL GOAL AND THE DOMESTIC INSTITUTIONAL CONSTRAINTS

As noticed by Kapur and Webb (2000), both the IMF and the World Bank are introducing more and more governance-related conditionalities in their programs. This new form of conditionality implies institutional changes in countries following IMF programs or benefiting from World Bank loans. Not only do international formal institutions exert an influence on countries' behaviors, but they also impose institutional changes in formal domestic

institutions compromising the coherence of the domestic institutional structure.

Finding a Coherence for the International Institutional Order

As previously explained, the two main institutional failures met when analyzing the legitimacy issue refer, for each of them to the same fundamental question; that of the articulation between global objectives and domestic ones. Such articulation is at the cornerstone of the enforcement issue of the IMF. Indeed even if the rules of the games promoted by the IMF appear to be good formal rules, tension may be created since domestic rules of the game *i.e.* domestic institutions are inert and difficult to change. As a result the formal global rules of the games *i.e.* the IMF as an international institution may be neither enforceable nor functional. But if an institution, in our case the IMF that was designed with the purpose of achieving a prescribed social global goal[15] is not self-enforceable, then it needs to be supplemented by an enforcement mechanism. However this creates a dilemma for the institution designer. To make the enforcement mechanism effective, appropriate incentives may be needed for the enforcers to perform their mission properly (Aoki, 2001). Further the operation of the enforcement mechanism may require the use of resources that have to be diverted away from activities directly contributing to the prescribed social goal. As a result, the achievement of the original social goal will need to be compromised. Another much more satisfactory solution should be for the IMF to pursue a social global goal which takes into account the institutional constraints accumulated at the domestic level.

Any analysis of the governance of international institutions then requires that we specify the conditions for the coherence of the international institutional order, because the system's components evolve at different speeds. More precisely such analysis must allow two types of problems to be solved.

Firstly the issue of the institutional order and its unity is formulated: if the complementarity of domestic and global institutions builds the institutional order of a society – in our case the "international society" – the purpose is then to identify integration forces as well as circumstances under which these forces cease to work. This first problem is, as we have explained in the previous section, worsened by the fact that it associates two specific spheres: the domestic one and the international one, each of them following specific objectives.

Secondly there is the problem of the institutional change more precisely of an imposed institutional change (Lin, 1989) initiated and executed by IMF fiat. Contrary to the induced institutional change driven by countries who expect a change in rules to yield net benefit, the institutional change imposed

by the IMF is often seen as providing benefits to specific group of countries at the expense of others.[16]

Solving these two kinds of problems comes down to providing a solution to what we have agreed to call the permanency-flexibility dilemma.[17] On one side, if institutions are to remove uncertainty, they must be permanent, but on the other side if they are to be shaped by global market forces they must be flexible. How, within the institutional order of modern market society is this problem resolved?

The solution to cope with this problem consists in setting up internationally designed institutions which allow change to be integrated without altering the institutional structure as a whole. Then the IMF represents one of the main designed institutions which permit – or not – the complementary articulation of both domestic and international objectives.

The question of the governance arises when players adopt behaviors which jeopardize the coherence of the international order and/or when the IMF is submitted to structural changes which affect its own design. The design of the IMF is consequently closely linked to its evolution that is to its capacity to articulate in time domestic and global objectives. In other words, the design of the IMF should be analyzed as a potential of change which authorizes the co-evolution over time of both international and domestic objectives.

Structural Reforms and Institutional Order: How to Find a Coherence Between Them?

If it is always possible, both in theory and in practice, to imagine a situation in which an economic or political authority decides to implement new institutions – for example a new system of property rights – the benefits expected from this type of measure are a controversial issue. The reason is that, insofar as such a policy is, by definition, limited to formal institutions, its success depends on the capacity of these new elements to meet the demand for change in institutions not yet designed. The difficulty lies in the fact that, although the transformation of formal institutions is, in general, both radical and fast, that of informal institutions is of an incremental nature, and is necessarily subject to path dependence constraints.[18]

Financial reforms in emerging economies are a striking example of such challenge (Allegret, Dulbecco and Courbis, 2003). In these economies, the degree of asymmetric information is high for two reasons: on the one hand, financial markets are less sophisticated than in developed countries; on the other hand, economic relations are traditionally based on bilateral relationships and then information is not publicized. As a result, the implantation of Western standards in such economies does not necessary lead to the emergence of institutions. Indeed, not only must such new laws be

coherent with the basic properties of the financial system, they must also be adopted by private agents.

In other words, in our view promoting banking reforms, whose the main objective is to bring banking practices in emerging economies to converge towards practices adopted in numerous mature markets, is not necessarily the most efficient way to favor economic growth. Interpersonal relationships are less prominent in developed countries because of the presence of liquid financial markets with strong legal rules and contract-enforcement mechanisms.

Numerous authorities in emerging markets implemented reforms in which the role of banks was reduced in order to promote the financial markets. South Korea is a striking example. If the role of the state limited the capacity of banks to monitor and exercise a credible threat over non-financial firms, it does not imply that the relationship banking system was inefficient *per se*. The main response of the Korean government to these inefficiencies has not been to implement a reform in which banks could stay at the heart of the system but effectively monitor non-financial firms. On the contrary, the government followed advises of International Financial Institutions and introduced principles of corporate governance originating from the Western experience. Such a strategy could be dangerous at longer term: let us recall that in numerous emerging economies, and particularly in South Korea, banks are the main institutions which allow the development of the contractual sphere.

From this perspective, the role of the Fund staff could be that of an external advisor or consultant in order to take into account the specificities of each country in a global context. By global context, we refer to the new constraints implied by globalization process which tend to impose a standardization of behaviors. For each country, with the advice of the IMF, it is necessary to find the right trade-off between the specificity of the domestic institutional order and the global market. This is the main challenge of the coherence between global governance and domestic objectives. A limited, although very important, reform from this viewpoint, could be to give a new role to resident experts in member countries. Not only these experts are able to learn during the time the main institutional characteristics of each country, but they are at the same time able to build trust relations between the IMF and the domestic stakeholders.

CONCLUSION

This paper has studied the enforcement of the IMF in the global economy from an institutional perspective. Considering that the main challenges of the IMF are to promote reforms in developing countries without destroying their domestic institutional order on the one hand; and to increase its political

legitimacy on the other hand, we consider that two main trends of reforms are particularly critical. First, the IMF must promote an increasing role of developing countries in its current functioning. The revisions of quota formula and majority rules are here particularly important. At the same time, it seems necessary to create a political body within the IMF in order to strengthen its legitimacy. Second, in promoting institutional reforms in developing countries, the IMF must improve its knowledge about countries specificities in order to favor successful institutional reforms. Globalization does not imply that institutional order must be identical in all countries. As a consequence, it seems to us that the current IMF strategy based on the implantation of Western practices in developing countries is not the right strategy.

Overall, relatively to current debates on the role of the IMF, our analysis leads us to propose an intermediate approach between an independent and specialized IMF on the one hand, and the constitution of a political IMF with a large but imprecise mandate on the other.

NOTES

1. A previous version of this paper was presented at the conference *Economics for the future, Celebrating 100 years of Cambridge Economics*, Cambridge (UK) 17-19 September 2003. We would like to thank P. Davidson, J. Kregel, E. Le Heron, J. Miller, J.F. Ponsot, A. Suarez and J. Williamson and for their remarks and suggestions. Usual caveats apply.
2. A comprehensive analysis of the new international financial architecture is beyond the scope of this paper. For an overwiew, see, for instance: Eichengreen (1999), Williamson (2000), Vines and Gilbert (eds) (2004), Lane (2005), Ranis, Vreeland , and Kosack (eds) (2006).
3. The main interlocutors of the IMF are financial ministries and central banks which have close connections to the financial community. Consequently, it seems natural that IMF remedies tend to reflect the interests of that community. These close connections between the IMF and the finance ministry exert a decisive influence on the conduct of IMF program negotiations
4. "Whereas developed countries […] accounted for only 17 per cent of voting strength in the United Nations […], 24 per cent in the WTO, and 34 per cent in the International Fund for Agricultural Development, they account for 61-62 per cent in the World Bank and IMF" (Helleiner, 2002, p. 312).
5. The increasing influence of the IMF in domestic affairs is clear if we consider the distinction made by Gould (2003) between targets conditionality and procedures conditionality. Targets refer to measure – like a fiscal deficit limit – that can be meet by borrowing countries whatever the ways they choose. Procedures specify both ends and means by requiring countries to implement a single one-time action – for example a change in exchange rate regime and the adoption of new corporate governance principles. As a result, procedures more directly dictate borrowing country policies. After 1982, we observe a steadily increase of procedures conditionality.
6. The determinants of the political connections are the following: country quota, national participation in the IMF staff, and member country's political and economic proximity to the IMF's major shareholding countries. Each of these determinants exerts a positive influence on IMF loans.
7. From 1991 to 1993, 61% of IMF programs were stopped before the end of their intended life.
8. A deeper analysis of this question is beyond the scope of this paper. For a comprehensive analysis, see Woods and Narlikar (2001) and Keohane and Nye (2002).

9. Estimated by the GDP converted into a common currency at market exchange rates.
10. Estimated by the variability of current receipts including the variability of net long-term capital flows.
11. In this paper, we focus of the structure of voting rights. Evans and Finnemore (2001) propose a complementary approach based on the increasing voice of developing countries within the IMF. For instance, they consider the influence of developing countries in the department research and policy formulation.
12. Source: Kelkar, Yadav and Chaudhry (2004, p. 740).
13. Williamson and Henning (1994) adopt a similar point of view.
14. We follow here (De Gregorio, Eichengreen, Ito and Wyplosz, 1999). See also 6(2005).
15. In that sens the IMF may be seen as producing a global public good.
16. An induced institutional change refers to the modification or replacement of an existing institution or the emergence of a new one that is voluntarily initiated and executed by an individual or a group of individuals in response to profitable opportunities. An imposed change, in contrast, is introduced and executed by an authority following its own rationality.
17. Our analysis is inspired by Lachmann's work (1970).
18. This point is underlined in several other studies dedicated to reforms in developing countries. See, for instance: Ahrens (2002); Berkowitz, Pistor and Richard (2003); Teunissen and Akkerman (eds) (2004), and Rodrik (1999).

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