CHAPTER ONE

The Puzzle of International Monetary Fund Conditionality

Introduction

Over the last several decades, the activities of international organizations—including the United Nations, the International Monetary Fund (IMF or Fund), the World Bank, and the General Agreement on Tariffs and Trade (GATT), now the World Trade Organizations (WTO)—have expanded dramatically, landing these organizations with increasing frequency on the covers of our newspapers and drawing crowds of protesters to their meetings each year. One of the most influential and puzzling expansions in international organizational activity—the change in Fund conditionality—is the focus of this book.

Today's International Monetary Fund appears to be more of a master of states than a servant to them. When state representatives established the IMF at the Bretton Woods Conference in 1944, they did not even design it to wield power over states' policies through the conditionality arrangement, a special

loan agreement that requires borrowers to meet certain targets or implement certain policies in order to receive timely installments of their Fund loan. The IMF was originally created to serve the broad, collective goal of international monetary stability by monitoring and maintaining the Bretton Woods par value exchange rate system, and it loaned resources on a revolving basis to help members offset short-term payments imbalances and thereby defend their exchange rates. In 1952, the Fund first attached conditions to its loans, and since then, Fund conditionality has changed dramatically. The number of conditions that a borrowing member must meet has increased. The types of conditions have evolved, from broad macroeconomic targets in the 1950s and 1960s to "microconditionality" today, which specifies conditions pertaining to policy implementation in great detail. The Fund's loans are now generally larger, longer term, and tackle new problems. Today the Fund offers advice and sets conditions not only on policies from areas of long-standing focus like exchange rates and credit expansion, but also new areas of concentration, including governance and enterprise reform.

These changes in the terms of Fund conditional loan arrangement influence the policies and the political and economic trajectories of states and individuals all over the world. In the 2001–2002 fiscal year alone, 69 countries participated in Fund conditionality agreements.[1] According to one congressionally mandated report released in 2000, Fund conditionality in its current form "has given the IMF a degree of influence over member countries' policy making that is unprecedented for a multilateral organization . . . and has undermined national sovereignty."[2] In response to these conditionality agreements that reverse government policies and arguably eat away at citizen control of their governments, citizens in borrowing countries around the world—Egyptians in 1977, Moroccans in 1981, Sudanese in 1982, Dominicans in 1984, Koreans and Indonesians in 1998, to name just a few—have protested and often rioted.[3] More recently (and for less coherent reasons), citizens from developed countries have joined the protests, marching in Washington, DC, Prague, and elsewhere, against the expansion of Fund conditionality.

What makes these changes in Fund conditionality so puzzling is that, despite this great influence over the policies of countries around the world, the Fund appears to be exercising power over member states in a way not only that its founders did not intend, but even more disconcertingly, in a way that

the international consensus opposes. The key changes in the terms of conditional loan arrangements—the increase in the number of conditions, the change in the types of conditions, the structure of the agreements, and the goals of the recommended programs—have long been the subject of perennial debate and dissent. In fact, the Fund's governing body of state representatives, the Executive Board, has repeatedly passed "conditionality guidelines" to rein in the number of conditions and limit the inclusion of intrusive, policy-oriented conditions. But recently these changes have provoked a more vocal and coherent opposition.[4]

In the wake of the Asian financial crisis, a broad coalition—from esteemed economists and top IMF officials to powerful state representatives and nongovernmental activists—has argued that these expansions in conditionality, particularly the increase in long-term conditional loan agreements with numerous conditions—were misguided and should be reversed.[5] Some critics have argued that Fund conditionality has expanded far beyond the Fund's original mandate of low or no conditionality lending for short-term payments imbalances and that the Fund should return, at least in part, to this original mandate. For instance, when Lawrence Summers was secretary of the Treasury under President Bill Clinton, he called for a return to the Fund's core mandate of short-term emergency financing, rather than longer-term development lending with numerous structural conditions. The Fund's managing director from 2000 to 2004, Horst Köhler, had also argued that Fund conditionality had expanded excessively and that the Fund must "reduce the conditions it attaches to its lending."[6] Other critics contend that original mandate aside, the current forms of Fund conditionality are ineffective, even harmful, to borrowing countries and need to change. For instance, Joseph Stiglitz has focused on the economic costs, arguing that the IMF uses outdated, inappropriate economic models and simplistically applies a "'one-size-fits-all' approach" to designing policy programs that have actually depressed growth and disproportionately hurt the poor.[7] Others focus on the political costs associated with the expansion of Fund conditionality, arguing that these changes in conditionality have deepened the Fund's intrusion on the domestic sovereignty of borrowing member states and worsened the "democratic deficit" inherent in international level domestic policy making.[8] A report written by a group of academic economists, each of whom had spent time working at the Fund, urged the Fund to limit the use of structural

conditions that "are often interfering with sovereignty."[9] The IFIAC (or Meltzer Commission), established by the Republican U.S. Congress in 1998, unanimously recommended that "the International Monetary Fund should restrict its lending to the provision of short-term liquidity," and that "the current practice of extending longer-term loans for poverty reduction and other purposes should end."[10] The Fund's conditional loan arrangements, they argued, "have not ensured economic progress" and "have undermined national sovereignty and often hindered the development of responsible, democratic institutions that correct their own mistakes and respond to changes in external conditions."

Today, seemingly everyone, from economists to activists, from politicians to Fund staff, and from the left and the right, seems to agree that Fund conditionality has expanded beyond the Fund's original mandate and that, for various reasons, this expansion is bad. These critics make strange bedfellows. Their overwhelming consensus about the inappropriateness of Fund conditionality raises the question: why are Fund conditional loan agreements designed this way? What has driven these changes in Fund conditionality over time? How did the Fund move from being circumscribed in its activities and interactions with states to being a powerful player regularly accused of dictating policies, altering domestic political debates, and violating state sovereignty? This puzzle is particularly intriguing because the conventional wisdoms about IMF conditionality and the drivers of international organizational activity (to the extent that those conventional wisdoms exist) appear inadequate in explaining the changes we observe when rich empirical work is undertaken.

Unraveling the puzzle of Fund conditionality is important not only to assess the immediate normative implications and to further our understanding of how the *content* of "second-image reversed" international influence is constructed and defined.[11] Unpacking this puzzle may also help us better understand international organizational activity and the degree to which states control international organizations. Moreover, it may speak to broader debates in the field of political science about the compatibility of democracy and development, the role of states in the international system today, and, more broadly, what the drivers of institutional and organizational change are.

Conventional Wisdoms

For many, the changes in Fund conditionality may not appear puzzling at all. Two general explanations of Fund activity and Fund conditionality already dominate the scholarly and nonscholarly literature.[12] Pundits, practitioners, and academics alike tend to argue that increases in Fund conditionality are either being driven by the Fund's most powerful shareholder, the United States, or that Fund bureaucrats themselves have defined the contours of Fund conditionality change. A third explanation, considered here but less frequently articulated to explain Fund conditionality change over time, suggests that the changes have been driven by the borrowing states themselves—by their demands and their needs. In this section, I briefly introduce each of these arguments and suggest why they initially appear inadequate in explaining the increasing stringency of Fund conditionality. Later chapters address the two main alternative explanations—the realist and bureaucratic arguments—more systematically. Chapter 4 considers the observable implications of these arguments; Chapters 5 through 7 use proxy variables to "test" these arguments quantitatively using the Conditionality Data Set (Appendix 1) and qualitative analyses.

The most common explanation is that changes in Fund activity, including the design of Fund conditionality agreements, have been externally driven by powerful states. Realist scholars have argued that powerful states, most often the United States, use international organizations like the Fund as tools to achieve their own foreign policy goals. For realists, international institutions (IIs) and international organizations (IOs) are themselves epiphenomenal, reflecting and acting according to the interests and preferences of powerful states.[13] By this logic, changes in IO activity, like the particular changes in Fund conditionality, should presumably have been pushed by powerful states—either because of a change in powerful state preferences or a change in the distribution of power.

The conventional wisdom is that the United States dictates Fund activities, and therefore the shifts in Fund conditionality reflect U.S. preferences. Examples of this argument abound in the mainstream media and academic literature.[14] Many realists assume that the state is a unitary actor, and thus powerful state preferences over IMF activity derive from broad state interests.

For instance, Strom Thacker, using Fund lending data as a proxy for Fund behavior, argues that the United States' political preferences and the international balance of power are the "underlying causes of the IMF's behavior."[15] He argues that during the Cold War, the United States used IMF loans as carrots to entice countries to become more closely aligned with the United States, as measured by certain key United Nations votes. After the Cold War and the collapse of bipolarity, both a country's initial voting position relative to the United States' (at time $t - 2$) and its subsequent movement (from $t - 2$ to $t - 1$) are important in determining whether or not a country is granted a Fund loan at time t. Similarly, Barro and Lee find that a country's "political proximity to the United States," as measured by its UN voting record, influences the country's probability of receiving a Fund loan.[16] With respect to Fund conditionality in particular, Dreher and Jensen also use UN voting patterns as a measure of alliance with the United States and find that "closer U.S. allies . . . receive IMF loans with fewer conditions" by using a sample of agreements from 1997 to 2003.[17] Miles Kahler has argued that the United States under the Reagan administration successfully pushed for increases in the stringency of Fund conditionality.[18] Others also argue that the United States (and other powerful states) dictate Fund activities but consider the domestic sources of their preferences. Joseph Stiglitz contends that the terms of Fund conditionality reflect the preferences of the U.S. Treasury in particular.[19] Thomas Oatley argues that the IMF's lending decisions are influenced by several powerful states, and that their preferences are defined by domestic constituents, particularly their commercial banks' interests.[20] Other U.S. domestic institutions and groups (such as labor and environmental groups) have expressed preferences about IMF activity and could similarly influence U.S. preferences over Fund conditionality, according to this logic.

These types of arguments not only have a good deal of theoretical and intellectual support, but they also seem particularly plausible given the design and structure of the Fund itself. The Fund was established by states at the 1944 Bretton Woods conference in New Hampshire in order to serve state interests.[21] The IMF is funded by states. Larger economies provide most of the Fund's lifeblood through the Fund's quota system, with the United States providing the largest share of the Fund's resources (about 17.5% today, and nearly 38% at the Fund's founding). State representatives sit on the Fund's two main governing bodies, the Board of Governors and the Executive Board;

for many of their decisions, state representatives vote according to a weighted voting system, whereby an individual state's quota contribution share corresponds to their voting power. In other words, powerful states' greater influence over the Fund's activities is institutionalized through the weighted voting system in the Fund's governing bodies (although actually this weighted voting rule does *not* govern the decisions to approve individual conditionality agreements or make conditionality policy). Moreover, the Executive Board, which approves most day-to-day activities, including the approval of conditionality agreements, functions according to a "consensus method," by which decisions are rarely voted upon explicitly, but instead the secretary and managing director "surmise" the consensus decision.[22] Some argue that this consensus method further empowers the more powerful states, which are able to define the terms of the consensus.

However, even a quick glance at the evidence suggests that this argument may not be very convincing at explaining the changes in Fund conditionality, most immediately because the United States (and other powerful states, although I will focus here on the United States for argument's sake) has been arguing since the late 1960s that the Fund should stick to short-term lending with less conditionality, rather than long-term lending with more conditionality. In other words, the United States and other powerful state representatives have fought against what they have perceived as an increase in the stringency of Fund conditionality and attempted to rein in Fund conditionality. Starting in the late 1960s, the United States (and the Executive Board more generally) vocally criticized the Fund's "proliferation of conditions" and passed the first Conditionality Guidelines in 1968, which directed the Fund staff to minimize the number of conditions required.[23] Since then, although there has been some natural ebb and flow in U.S. policy, U.S. and Executive Board criticism of the Fund expansion of conditionality has continued. Later, in 1979 and most recently in 2002, the Fund's Executive Board revised the Conditionality Guidelines a second and third time. Both times, Fund conditionality had increased in the interim, and both times, the Executive Board sternly instructed the Fund's staff and management to limit the number of conditions required by its programs and require fewer of the intrusive, policy-oriented conditions.[24] The Reagan administration opposed the IMF's "drift" into "longer-term adjustment programs," rather than its mandated short-term balance of payments loans.[25] More recently, the Clinton administration

has criticized the IMF's expansion of conditionality and increase in longer-term adjustment loans. In December 1999, as mentioned earlier, Treasury Secretary Larry Summers presented a reform program that included fundamental changes in Fund practices, including returning to the Fund's core mandate of short-term emergency financing, rather than the current practice of longer-term development lending with numerous structural conditions.[26] Similarly, President George W. Bush's Treasury Secretary John Snow also argued that the Fund needed to "refocus on its core area of expertise," noting that "when it comes to lending, the United States favors conditions focused on the core macroeconomic challenges."[27]

At first glance, then, the changes in Fund conditionality do not seem to reflect U.S. preferences (whether they were initially determined by broad state interests or domestic pressures), and therefore the United States does not appear to be the main driving force behind these changes. If anything, the United States and the Executive Board more broadly have appeared to be trying to reverse the increasing stringency and intrusiveness of Fund conditionality. These impressions are admittedly preliminary. Chapters 4 through 7 deal more explicitly and systematically with assessing the explanatory power of the realist argument by considering several of its observable implications, through large-*N* quantitative and small-*N* qualitative work. They too find that this conventional wisdom does not appear to be a powerful explanation for the changes in Fund conditionality.

Another common argument is that changes in Fund conditionality have been driven by the Fund's bureaucracy. Scholars employ either a more rationalist logic or a more sociological logic to argue that the IMF should be understood as an actor in itself, not just a conduit for state preferences, with autonomy to pursue its own interests or goals. The two camps differ both in how they conceive of the source of organizational autonomy and in the purposes to which this autonomy is put.[28] However, they both point to the organization's bureaucracy—either its interests or its culture—as the driving force behind organizational activity. Any changes in Fund activity must then be understood as a product of the Fund's bureaucracy, either its interests or its culture.

Those from the rationalist school tend to argue that IOs achieve a degree of autonomy as a result of principal-agent issues of informational asymmetry

and incomplete monitoring.[29] IOs use their autonomy to pursue "power, prestige and amenities," often operationalized as budget or task expansion. For instance, in a series of articles Roland Vaubel focuses on the Fund bureaucracy's efforts to "maximize their budget, their staff and their independence."[30] Vaubel views Fund conditionality—and the expansion of Fund conditionality—as a mechanism to pursue those interests. Similarly, George Shultz has argued that this is a classic case of mission creep. In his words, "In the tradition of skilled bureaucrats, the IMF has turned to new areas and has managed to expand substantially its financial resources and, in the process, its influence."[31]

By contrast, those from the sociological school emphasize that the international organization is a product of its institutional environment, not actor interests per se, and achieves its independence from states as a result of its expertise and externally derived legitimacy.[32] As Barnett and Finnemore have written, "IOs can become autonomous sites of authority, independent from the state 'principals' who may have created them, because of power flowing from at least two sources: (1) the legitimacy of the rational-legal authority they embody, and (2) control over technical expertise and information."[33] IOs use that autonomy to pursue activities determined by their specific bureaucratic culture, defined, for instance, by their professional training or other particularlistic factors.[34] Organizations can use that autonomy to impact our social understanding of the world around us, by classifying and defining actors, and by developing and spreading norms.[35] For instance, in their 2004 book on international organizational "dysfunction," Michael Barnett and Martha Finnemore address the puzzle of Fund conditionality directly. They argue that the Fund staff's expertise has given them a great deal of latitude to develop and adjust certain intellectual models, which in turn justify the expansion of Fund conditionality. Mimicking Kuhn's scientists, Fund economists include new conditions outside their area of expertise when existing models and methods fail.[36]

Initially, both the rationalist and sociological variants of the bureaucratic argument appear to be plausible explanations for the expansion of Fund conditionality. The Fund staff certainly have a good deal of expertise and specialized knowledge that, according to both variants, may contribute to organizational autonomy. The Fund's historic opacity protects its staff by insulating

them from intensive lobbying by domestic interest groups and subsequently depressing state activism in controlling their activities.[37] Finally, the Fund staff have agenda-setting powers; they design preliminary versions of the loan agreements, negotiate them with borrowers during staff mission trips to the prospective borrowing country, and then present the Executive Board with the negotiated agreement, which can be voted up or down.[38] The Executive Board rarely votes down or even modifies staff proposals, particularly concerning loan arrangements. This suggests that the Fund staff have an overwhelming amount of discretion in choosing its actual activity outcome (within the acceptable range defined by states).[39] In other words, the IMF appears to be a particularly apt example of an organization that may be able to exercise some autonomy—whether due to bureaucratic interests or culture—over its own activities.

However, I also found these explanations initially unconvincing in explaining the changes in Fund conditionality and the design of these agreements. For one, evidence from the Fund archives indicated that staff actually opposed many of the changes in conditionality because they felt that these areas were outside of their core expertise and not easily measurable, among other things. In addition, both variants provide plausible explanations for why organizational activities may change—because bureaucrats want to increase their power or because of their bureaucratic culture—but they do not provide clear explanations of why international organizational activities changed in these particular ways. For instance, the rationalist variant suggests that Fund bureaucrats pushed for more stringent conditionality to increase their power and prestige. Similarly, the sociological variant suggests that Fund conditionality changed because the bureaucratic culture impelled the Fund economists to seek out new intellectual, causal models as their old models fail. However, the particular pattern of Fund conditionality change matters to borrowers, to politicians, and to citizens around the world. The Fund has been advising countries and monitoring programs for years, but not until the late 1980s were countries required to implement Fund-designed investment programs and Fund-approved tax reforms as a condition of the program; and not until the early 1990s was the taboo on advising countries about the redistributive consequences of certain policies lifted. Why did the Fund condition use of its resources on those policies in the late 1980s and early 1990s but not sooner, or later? Neither of the bureaucratic variants provides a clear explanation of

the particular changes in the content of Fund conditionality. In this book, I advance an argument that attempts to explain not only why change occurs, but why we observe particular changes in the design of Fund conditionality agreements. Chapters 4 through 7 include more systematic testing of these bureaucratic variants. Chapter 4 considers the observable implications of both variants, whereas chapters 5 through 7 "test" the rationalist variant by using the Conditionality Data Set (Appendix 1) and quantitative and qualitative analyses.

A third alternative argument suggests that changes in Fund conditionality have ultimately been driven by the borrowing states themselves. The general insight is that domestic politicians use international organizations or institutions to help them fight their own domestic battles (or tie their own hands).[40] For instance, with respect to the IMF in particular, James Vreeland has argued that domestic politicians use Fund conditional loan agreements as political cover to implement their preferred policies and mute domestic opposition.[41] This type of domestic political argument has been more frequently used to explain cross-national variation in Fund programs or to explain why borrowers enter into Fund programs, rather than over-time change.

In order to explain change over time, one would have to argue that there has been a systematic, longitudinal change in the Fund's clientele (or their preferences) that has led to different demands regarding the terms of Fund conditionality agreements over time. For instance, Devesh Kapur has argued that changes in Fund activities have been driven at least in part by a change in the Fund's clientele.[42] As the more developed and powerful countries stopped borrowing from the IMF, they tightened the terms of Fund conditionality agreements for the less powerful, developing countries. The Fund itself has also articulated a version of this argument: Fund conditionality has changed to respond to the changing economic needs of borrowers.[43] The official position is that borrowers with excessive foreign debt or structural impediments to growth have increasingly turned to the Fund for assistance, requiring more detailed and intensive Fund programs. The Fund has argued that Fund program design has changed to meet the objective needs of borrowers facing increasingly severe payments imbalances and economic crises.[44] The Fund has also argued that less developed countries require different Fund conditionality—including more or different binding conditions—than more developed countries, and has responded by developing different lending

vehicles that required more detailed conditionality.[45] As the economic needs or attributes of borrowing member states change, so do the activities of the Fund including the terms of Fund conditional loan arrangements. One could imagine other versions of the domestic argument. For instance, democracies may interact differently with the Fund. Politicians in countries with democratic institutions and viable, active oppositions may be more likely to try to tie their own hands by means of international agreements and similarly demand more stringent, encompassing Fund conditionality agreements.[46] As a result, it may have been global shifts in domestic-level institutions that drove the longitudinal changes in Fund conditionality. As the third wave of democratization spread, the mix of borrowing countries became more democratic; they demanded more constraining agreements from the Fund to tie their hands; hence, Fund conditionality changed.

This type of domestic-level argument is articulated less frequently as an explanation of Fund conditionality change than the realist or bureaucratic arguments, but it also seems quite plausible. One would certainly hope that the Fund tailors the terms of its agreements to the specific needs and demands of Fund borrowers, rather than applying a "cookie-cutter" program, as has been suggested by Joseph Stiglitz.[47] It is indisputable that over time the Fund's clientele has shifted in a variety of different ways—less "developed," more severe balance of payments problems, greater poverty, more democratic institutions—that may have affected the terms of Fund conditionality agreements. In the hopes that Fund programs are tailored to the particular needs and demands of borrowers, this alternative explanation is also addressed more systematically in the empirical chapters. However, initial indicators suggest that this type of domestic-level explanation may not account for many of the broad changes in Fund conditionality that we observe. First, if Fund conditionality agreements are responsive to borrower demands, then one should presumably observe broad cross-national variation in the terms of Fund conditionality agreements. If the terms of Fund conditional loan arrangements are reflected the domestic political needs of borrower governments, one would see greater variation in the design of programs and more particularistic policies that served individual borrower government domestic needs, such as side payments to constituency groups. The Conditionality Data Set reveals that programs are not the simple "cookie-cutter" models that Stiglitz describes; however, they also do not exhibit as

much variation as a domestic political argument would imply. Second, if Fund conditionality agreements are not responsive to borrower government demands, but instead borrower's economic needs (which is the Fund's argument), then we are still missing the political link. Why is the Fund empowered to expand its power and activities in the face of a changing functional environment? Why is the Fund able to fill the vacuum created by these new needs? Even in the face of new needs and problems, a political actor, whether it be the borrowers, the powerful states, or the organization itself, would need to assign or approve this expansion of Fund activity. The agent is missing from this explanation, and thus the puzzle remains.

Argument and Roadmap

Why has International Monetary Fund conditionality changed in particular ways over the last 50 years? What drives changes in international organizational activity broadly? Contrary to conventional explanations, I argue that the changes in the terms of Fund conditionality agreements are best explained by shifts in the sources of borrowing state financing.[48] The Fund regularly relies on external financing to supplement its loans to countries facing payments imbalances. As a result, these supplementary financiers are able to exercise leverage over the Fund and the design of its conditionality programs. The supplementary financiers may exercise their influence either directly, by actively communicating their preferences to IMF staffers, management, or borrowing state representatives, or indirectly, by having the Fund staffers anticipate supplementary financier preferences and adjust the design of a particular Fund program to those anticipated preferences in order to encourage an inflow of supplementary financing. The different types of supplementary financiers—including creditor states, private financial institutions, and multilateral organizations—have systematically different preferences over the terms of Fund conditionality arrangements. Thus, many of the changes in Fund conditionality can be explained by the shifting mix of supplementary financing over the past 50 years. As the sources of state financing have changed from being dominated by creditor states to a more diverse mix of creditor states, private financial institutions, and multilateral organizations, so have the demands on the Fund and the Fund's subsequent activity.

The book will proceed as follows. Chapter 2 will present the book's central argument—the theory of supplementary financier influence—in greater detail. The theory itself has two main parts. First, the static part of the argument concerns why supplementary financiers exercise leverage over the Fund. The second, dynamic part of the argument concerns the shift in the sources of supplementary financing, which has contributed to a change in the content of Fund conditionality. The book's conclusions are supported by rich empirical material gathered directly from the IMF archives, including descriptive statistics and statistical analyses using an original data set, the Conditionality Data Set described in Appendix 1, as well as case studies substantiated with archival and interview evidence.

Chapter 3 focuses on the dependent variable. It rewrites the history of Fund conditionality. I use previously published secondary sources, as well as original archival research from the IMF archives and the Conditionality Data Set, which is the first (and, to my knowledge, currently the only) data set coding the terms of 249 Fund conditionality agreements from 1952, when Fund conditionality began, to 1995. It includes extensive descriptive statistics, which clarify how Fund conditionality has changed both longitudinally and cross-sectionally.

Chapters 4 through 7 provide several different empirical assessments of the supplementary financier argument versus the alternative arguments. Chapter 4 compares the broad observable implications of the realist and bureaucratic alternative arguments with the actual record of Fund conditionality change, as elucidated by the Conditionality Data Set. Chapters 5 through 7 each focus on a different type of supplementary financier: creditor states, private financial institutions, and multilateral organizations, respectively. Each chapter discusses that supplementary financier's interests in providing financing to other states, and subsequent preferences over the design of Fund conditionality agreement in detail. Three types of evidence are employed in order to establish a causal relationship between the supplementary financier and particular changes in Fund conditionality. First, the pattern of supplementary financing is compared to the predicted changes in Fund conditionality. Second, statistical tests are performed, utilizing the original Conditionality Data Set, to determine whether this type of supplementary financier seems to have influenced Fund conditionality arrangements in predicted ways, controlling for other significant variables. Once the

relationship between the supplementary financier and a change in Fund conditionality is established, the third section of evidence evaluates one or more case studies of a Fund conditionality agreement to uncover the causal mechanisms by which this type of supplementary financier influences the terms of Fund conditionality agreements.

The final chapter reviews the central findings of the book and discusses how these findings relate both to the current debate on the appropriateness of Fund activity and to the general literature on international organizations.