Ambiguity and Uncertainty in International Organizations:

A History of Debating IMF Conditionality

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Abstract

How do international organizations deal with the persistent challenge of uncertainty? Probably the most intuitive answer is through regulation. Yet rules are not always the best solution in times of uncertainty, or in dealing with complex and diverse problems. More ambiguous policies, which leave room for interpretation, can often be more functional for an international organization; moreover, ambiguities can also be a source of power—and are therefore often a subject of conflict among institutional actors. Focusing on the case of International Monetary Fund conditionality policy, this article provides several key insights into IO practices. It provides an account of the different forms that ambiguity can take in international organizations, and develops an explanation for why institutional ambiguities appear and persist. Looking inside the IO black box, the study examines how interests, institutional culture and legitimacy concerns shape actors' support for ambiguity, and how these preferences combine with broader structural factors to produce a predisposition towards institutional ambiguity. Finally, this article points towards certain implications of organizations' tendency towards ambiguity, suggesting that it may play an important role in enabling institutional expansion.

How do international organizations deal with the problem of uncertainty? The intuitive answer in International Relations (IR) is through regulation. In theory, rules, guidelines and policies significantly reduce uncertainty by providing information, surveillance and enforcement mechanisms (Keohane and Martin 1995; North 1990). Yet rules are not always the best solution in times of uncertainty or in dealing with complex and unique cases. More ambiguous policies, which leave room for interpretation, can often be more functional for an organization operating in an uncertain environment. By focusing on international organizations' (IOs) capacity to make rules for the world, we run the risk of creating a caricature of actual organizational behavior, in which the pursuit of clear, objective rules is always constrained by the persistence of ambiguity.

Of course, organizational actors do rely on rules, objective criteria and careful measurement practices in developing and implementing policies. Yet these same rules and criteria are themselves ambiguous—by which I mean that they must be *interpreted* to be applied, and are often open to multiple interpretations. Such ambiguities pose both problems and possibilities for IOs. The centrality of ambiguity poses a problem because it limits IOs' efforts to use the rational-legal approach most consistent with their internal culture. It also creates possibilities, for it is through such ambiguities that IOs are often best able to tackle complex problems and to address an uncertain policy environment. Moreover, ambiguity can also serve as an important source of power for institutional actors. Thus, counter-intuitively, rather than attempting to reduce the ambiguities of their policies and practices, this article suggests that institutional actors will often seek to increase them—although they may disagree amongst themselves on the best ways of doing so.

In developing these arguments, I am contributing to a growing, largely rationalist, literature on how IOs deal with uncertainty, whether through incomplete contracting, soft law or flexible institutional design (Abbott et al. 2000; Abbott and Snidal 2000; Koremenos et al. 2001). At the same time, rather than seeing ambiguity merely as a rational response to external pressures, my analysis looks inside the black-box of the organization and examines how institutional actors struggle over the forms that ambiguity takes. While this analysis shares some similarities with the principal-agent literature on strategic institutional dynamics (Coase 1937; Hawkins et al. 2006; Kiewiet and McCubbins 1991; Martin 2006; Pollack 1997; Williamson 1975), my analysis also points to the central role of legitimacy concerns and bureaucratic culture in shaping actors' preferences for ambiguity, complicating narrowly rationalist explanations of institutional practice (Barnett and Coleman 2005; Barnett and Finnemore 1999; Nielson et al. 2006; Weaver and Leiteritz 2005). Looking at both strategic and cultural dimensions of organizational practice, this article thus contributes to our understanding of ambiguity as both a response to uncertainty and a source of power.

My focus in this article is the case of the International Monetary Fund's (IMF) conditionality policy. The conditions that the IMF places on its loans have become increasingly controversial over the sixty-odd years of its existence. In the last ten years alone, the IMF's Executive Board has twice revised its conditionality guidelines in an effort to respond to growing criticism. Although these recent revisions have been the most publicized, they are in fact only the most recent in a long history of conditionality debates. In this study, I examine the debates leading up to three successive revisions to conditionality policy, in 1968, 1978 and 2002. What is striking about all three is that Fund Directors and staff debated whether and how the guidelines should remain ambiguous. Each set of guidelines reflected a compromise, clarifying some aspects of conditionality policy while leaving others ambiguous. Yet each time, the ambiguities contained in the policy ensured that the institution's actual practice of conditionality quickly outstripped the guidelines.[ii]

The case of the IMF's conditionality policy poses three inter-related puzzles for IO scholarship. The first, and most straightforward, of these puzzles is the persistence of ambiguity in an organization that is committed to expert, rule-based governance. The IMF is in many ways an archetypical bureaucratic international organization in Michael Barnett and Martha Finnemore's terms: its authority depends in considerable measure on its claims to neutral economic expertise (Barnett and Finnemore 1999:707). Why then would the organization continue to adopt ambiguous policies that require subjective interpretations, running the risk of undermining its authority? One possible answer to this puzzle would be to suggest that the persistence of ambiguity is unintentional. Yet, a closer look at debates over IMF conditionality guidelines reveals that key actors, including both staff and Executive Directors (EDs) representing stakeholder countries, were not only aware of the challenges of ambiguity, but actively chose it. Moreover actors disagreed on the form and degree of ambiguity, seeking to increase certain kinds of ambiguity and decrease others.

The literatures on rational design, legalization and principal-agent dynamics provide some possible explanations for this puzzle. The rational design literature predicts that state actors may build flexibility into institutions in order to enable them to cope with uncertainty (Koremenos, et al. 2001:793-4). In discussing preferences for hard rules or soft law, Abbott and Snidal suggest that state actors will sometimes opt for less precision in legal regulations for the same reason (Abbott and Snidal 2000:441-2). Moreover, PA analysts suggest that institutional actors will disagree on the degree of discretion that should be built into policy guidelines, with staff as agents opting for more discretion and EDs as principals resisting.[iii] Together, these analyses provide some clues as to why institutional actors might actively seek to adopt ambiguous guidelines, and also why such ambiguities might be the subject of conflict.

These rationalist literatures have some difficulty, however, in resolving the second puzzle that the case of the IMF presents us with: the fact that actors' preferences for ambiguity changed over time and did not always fit the patterns predicted (see Table 4). Kenneth Abbott and Duncal Snidal suggest that stronger state actors will prefer soft law, while weaker ones seek hard, precise rules that grant them greater certainty. Yet at the IMF, EDs from weaker states did not always support greater precision, as legalization literature would predict (Abbott and Snidal 2000:447-50), but instead sometimes argued for more ambiguity. Institutional actors generally opted for those forms of ambiguity that they believed they could usefully interpret in the future: while powerful actors were more often likely to perceive such future advantages from ambiguity, weaker actors also sometimes saw scope for creative adaptation in a less precise guideline. Because of their openness to interpretation, ambiguities can be exploited either from the "top-down" or from the "bottom-up"; they are therefore a particularly rich and unpredictable source of power.

Moreover, although staff often supported certain forms of ambiguity, they did not do so consistently, at some points actively opposing forms of ambiguity that would have provided them with more discretion. Why did they resist such forms of ambiguity? This study suggests that staff generally opposed such increases in institutional ambiguity in cases where they feared that it would undermine their expert culture, and thus erode their legitimacy.[iv] To resolve this second puzzle, we need to turn to sociological literature for its insights into power, institutional culture, and legitimacy.

The third puzzle that the case of the IMF presents is the fact that the organization's conditionality policy continued to expand in scope—even when, during 2002 review, both staff and board members agreed that it should not. The expansionist tendency of organizations is a topic that has been much discussed in the IO literature. There are many different explanations for this common trend towards "mission creep": traditional PA literature has focused on bureaucracies' desire for budget expansion (Niskanen 1971), while more recent analysts have examined how staff members' desire for autonomy can lead to attempts to increase their discretion (Hawkins, et al. 2006; Pollack 1997). Constructivists have also examined the ways in which organizations' capacity to define the objects of their interventions (such as "development" or "refugee") and to develop rules for governing them, enable them to expand into new terrains (Barnett and Finnemore 2004:Chs. 3 & 4). Although these contending approaches provide important insights into the expansion of the IMF's conditionality policy, they assume that actors (such as staff) will actively support such expansions, and therefore have little to say about a situation such as this one in which the expansion occurred even where all the key actors opposed it. Examining the role of institutional ambiguity, I will suggest, can help us to make sense of how the day-to-day work of policy interpretation and application can produce unintended institutional expansion.

In its examination of institutional uncertainty, power and ambiguity, this article is contributing to an increasingly rich and diverse literature on IOs and global governance. In doing so, it is drawing on and filling gaps in both rationalist and constructivist literatures. This article shares with rational design and legalization scholarship an interest in the ways in which institutional actors sometimes avoid precise rules to gain flexibility; yet by exploring the flip side of "precision," this analysis provides a more nuanced analysis of what happens when institutions choose ambiguity (Abbott, et al. 2000). In focusing on the strategic interactions between staff and EDs, this article also ensures that state preferences remain part of the picture, as Lisa Martin has advocated (Martin 2006:141, 54). At the same time, my analysis helps to fill some of the gaps in PA theory that Gould has pointed to, by providing further clues to how staff use institutional slack (Gould 2006: 293, 300-03).

While this study therefore does play close attention to some of the strategic dynamics at play in the development of IMF policy, it also takes seriously the role of institutional culture and legitimacy. This analysis is thus inspired not only by constructivists like Barnett and Finnemore, but also by a broader sociological literature that focuses on the role of mundane, often bureaucratic practices in constituting institutions' capacity for governing at a distance (Latour 1986; MacKenzie 2006; Neumann and Sending 2006; Rose and Miller 1992; Walters 2002). My analysis draws on sociological insights into how bureaucratic organizations create their own internal cultures as well as their attention to the importance played by legitimacy concerns (Barnett and Finnemore 1999; Hurd 1999; Rückert 2007; Thirkell-White 2004; Vetterlein 2007). My examination of the relationship between ambiguity and power also points to the ways in which power can exceed narrowly strategic forms (Barnett and Duvall 2005).

This article provides several insights into the ways in which IOs adopt ambiguous policies. First, it elaborates the different forms that ambiguity takes in international organizations, uncovering *how* they evolve over time. Second, this study provides clues as to *why* certain forms of ambiguity appear and persist. Part of the explanation lies in the preferences that actors have for ambiguity—based on their interests in exploiting certain ambiguities, as well as their institutional culture and concerns about organizational legitimacy. This study suggests that weak actors will tend to support those forms of ambiguity that will enable creative "bottom-up" adaptation, while strong actors will prefer those that enable greater institutional scope and discretion. Meanwhile, staff will prefer those forms of ambiguity that increase discretion and scope, except in cases where there are conflicts with their institutional culture and related concerns regarding legitimacy. The interplay of actors' preferences combines with broader structural factors—such as the relative influence of different actors, the exposure of the organization to external pressures, and the degree of uncertainty and complexity surrounding the policy issue—to produce a predisposition towards certain kinds of institutional ambiguity in a given organization. Finally, this article points towards certain potential *implications* of organizations' tendency towards ambiguity, suggesting that it can play a role in enabling institutional expansion.

The remainder of this article is organized in three parts. I begin by developing a more robust theoretical framework, defining the concepts of uncertainty and ambiguity. I then turn to the case study that I outlined above, examining the IMF conditionality debates in 1968, 1978-79 and 2001-02. Drawing on archival documents, including minutes from the Executive Board meetings at which the three sets of guidelines were discussed, together with more recent interviews, I examine each set of debates and the guidelines that they ultimately produced.[v] In each case, I trace the major debates and show how they sought to come to terms with the ambiguity of their own conditionality policy, as well as how the policy evolved between debates. I conclude with a brief discussion of the implications of this case for the study of international organizations more generally.

Uncertainty and Ambiguity in International Organizations

An attention to the problem of ambiguity and the ways in which IOs respond can provide us with significant insights into their actions. In this section, I will provide a basic overview of the difference between uncertainty and ambiguity. I will also consider *how* ambiguity operates in international organizations, examining the forms that ambiguity takes and the policy practices through which it is enabled or constrained. I will then discuss *why* ambiguity is fostered, examining the dynamics driving actors' preferences for ambiguity, as well as the more structural factors that can encourage policy ambiguity. Finally, I will provide a brief analysis of some of the *implications* of the spread of policy ambiguity, focusing on the potential for institutional expansion.

Uncertainty and Ambiguity

International organizations function in a world characterized by uncertainty. When the IMF[vi] negotiates a stand-by arrangement that guarantees a member state a right to access financing, or the World Bank negotiates an agreement to provide general budget support to a state, their staff do not know all of the complexities of the country's economy, let alone those of the political situation, the global forces that may alter both of them, or the intentions of the borrowing country. On the other side of the table, the borrowing country's government also faces uncertainties—regarding the nature of economic pressures, how their population will respond to the reforms that the IMF or World Bank want them to adopt, and what the institution's response will be if they cannot or will not fulfill all of the conditions.

Put simply, both sides face at least two different kinds of uncertainty. They face uncertainty about the political and economic environment in which their policies will be implemented, which can change dramatically and with little notice. They also face uncertainty about one another's preferences and intentions, which may not be fully articulated in negotiations. As these examples suggest, uncertainty is a concept that emphasizes the limits of our ability to obtain accurate information, particularly about the future. In the rationalist literature, uncertainty is often seen as a product of imperfect or asymmetrical information. In the example discussed above, both borrowers and lenders have imperfect information about the future since political and economic events are so difficult to predict; at the same time they must also contend with limited information, knowing more about their own intentions that about each others'. Drawing on Douglass North's work on institutional economics, liberal institutionalists have suggested that one of the key functions that international organizations play is to reduce uncertainty by providing better information to key actors (Keohane 1984:245; North 1990:27). Yet, as both rationalist and constructivist scholars have noted, uncertainty remains a challenge that organizations must address on an ongoing basis.[vii]

The concept of uncertainty emphasizes the limits to *information*—about the environment, other actors and possible outcomes. The idea of ambiguity, on the other hand, emphasizes the central role played by *interpretation* and its effects on our efforts to communicate and act (See Table 1).[viii] While uncertainty can be reduced through more and better information, ambiguities will still persist as long as there is room for interpretation. International organizations are run by human beings; unlike computers, whose binary language of 1s and 0s is free from ambiguity, people need to communicate through language and action—both of which can be open to multiple interpretations. We can think of the attribute of ambiguity as a continuum. Some policies, procedures and guidelines will be so clear as to allow very little room for interpretation, while others will be extremely vague and ambiguous. Such ambiguities in a policy cannot be resolved with further information like problems of uncertainty, but instead remain a matter of interpretation.

[Insert Table 1]

Forms of Institutional Ambiguity

When we think of ambiguity, it is generally discursive or *textual ambiguity* that first comes to mind—the ways in which words and phrases can have more than one meaning. Textual ambiguities characterize many IO documents. This is a linguistic ambiguity, in which the meaning of a text is open to multiple interpretations because certain words are ambiguous, or because certain phrases within a document contradict one another, allowing for selective emphases and interpretations.[ix] Such textual ambiguities can also enable a more concrete form of ambiguity—which I will call *institutional ambiguity*. Organizational policies do not only live in the formal texts that define them but also in the ongoing ways in which they are applied on a daily basis—in the form of rules, practices, procedures and guidelines. While we might think that because these organizational practices are technical they are not open to interpretation, in fact, practices vary enormously in the degree of their ambiguity.

What forms do institutional ambiguities take? In answering this question, it is useful to divide them further into three different sub-forms—ambiguities in the authority to interpret a policy, in the forms of measurement and evaluation, and in the scope of a policy (Table 2). What kind of authority does an institutional actor have in interpreting a policy when applying it to a specific case? A policy that provides for significant *discretion* in its application will be more ambiguous than one that relies heavily on *rules*. How open to interpretation are the forms of measurement and monitoring? A policy that depends on *subjective* forms of measurement and evaluation will be more ambiguous that one that relies on quantitative or *objective* forms. How clearly defined are the boundaries of a policy's application? A policy that defines its *scope* more broadly and whose boundaries are blurry will be more ambiguous than one that is narrowly and crisply defined.

[Insert Table 2]

As organizations develop specific policies and procedures, they can integrate a range of more or less ambiguous policy practices. In assessing compliance, for example, they might choose rigid pass-fail criteria, or use more flexible benchmarks, allowing more latitude in interpretation. They may adopt highly detailed procedures or more general guidelines that allow staff members to adapt them to specific contexts on a case-by-case basis. They may seek to define operational terms precisely, or to leave them vague, allowing key actors to interpret them.

In the case of IMF conditionality policy, EDs and staff debated and developed a range of practices that involved different degrees of ambiguity (see Table 3). Performance clauses, which were introduced in the 1950s and quickly became the mainstay of IMF programs, were designed as a particularly unambiguous practice: if a borrowing government met these quantitative criteria, they acted as triggers allowing for the next phase of financing. Prior actions and preconditions, introduced in the 1970s, were also relatively unambiguous, as they set out criteria with which states had to comply before receiving financing. Yet even with these straightforward practices, some ambiguity remained: the staff often had discretion in determining how many performance criteria or prior actions to impose in each case, and the Board could grant waivers when country failed to meet the agreed criteria. At the same time, the staff and Board developed a range of more explicitly ambiguous practices over the years. They included consultation and review clauses, which linked the disbursement of funds to the outcome of a more subjective review process, letters of intent that spelled out criteria that were not formally part of the agreement (making in unclear whether they were essential), and structural benchmarks, which were more qualitative and discretionary than quantitative triggers.

[Insert Table 3]

Why IOs Adopt Ambiguous Policies

As Max Weber so famously pointed out, bureaucracies' power relies on a kind of authority that is based on rules and regulations. The fact that bureaucracies would adopt ambiguous policies—and do so consciously and willingly—is therefore a puzzle. To solve it, we need to look at why institutional actors would choose particular forms of ambiguity, as well as how broader structural forces can encourage or discourage institutional ambiguity.

Preferences for Ambiguity

Institutional ambiguities can be the subject of considerable conflict. By adopting more open-ended policies and procedures, key actors can create opportunities to adapt and reinterpret the policies in ways that reflect their own evolving interests, but which can also undermine those of others. Moreover, different forms of ambiguity can work to the advantage or disadvantage of specific actors. We would therefore expect actors to adopt those forms of ambiguity that they believe (rightly or wrongly) they will have the power to interpret in the future. For example, this will often mean that those state actors most affected by IO policies—because they are poor or in some other way needing assistance—will prefer different forms of ambiguity from those who are not.

In the case of IMF conditionality policy, EDs from developing countries, who were almost always borrowers, and those from industrialized countries, who were usually creditors, generally support different forms of ambiguity. Developing country Directors tended to support more ambiguous forms of measurement and evaluation that they hoped would enable them to adapt to uncertain local conditions, while opposing increases in scope and staff discretion. Although industrialized country directors were less consistent, they tended (particularly in the 1968 and 1978 debates) to hold the opposite preferences, supporting increases in scope and discretion and opposing more ambiguous forms of measurement and evaluation. Institutional actors thus recognized that policy ambiguity could be an important resource—but that its usefulness depended on whether they would be in a position to strategically interpret that ambiguity in the future.[x]

[Insert Table 4]

The interplay of strategic interests cannot however fully account for preferences for ambiguity. Since IO staff members are most often the ones in the position to interpret ambiguities in their day-to-day application, we might expect that they would always support greater institutional ambiguity in order to increase their autonomy. Yet, Weber's insight into the rationalist character of bureaucratic culture still carries weight today, and cultural factors do influence staff perspectives on ambiguity. In the case of the IMF, staff (as well as Directors) are almost all economists as well as bureaucrats—two professional cultures that value objectivity, neutrality and rules. Policy ambiguity may often be necessary to address the realities of a complex environment, but a reliance on qualitative assessments, judgment and murky definitions of policy scope can also come into conflict with an economistic or legalistic professional culture (Escobar 1995; Ferguson 1990; Momani 2005). In practice, as I will discuss below, although IMF staff supported certain forms of ambiguity, they also opposed others. In particular, they tended to be uncomfortable with those forms of ambiguity that seemed in conflict with their expert culture.

The final factor that can influence actors' support for ambiguity is their perception of institutional legitimacy. As Barnett and Finnemore have demonstrated, international organizations rely on their claims to neutrality and expertise as a basis for their legitimacy (Barnett and Finnemore 2004:33-34). Something that undermines an organization's claim to apolitical expertise can thus pose a challenge to its legitimacy.[xi] The effect of legitimacy concerns on ambiguity preferences is complex—leading to resistance to certain forms of ambiguity when they are seen to erode institutional expertise, or support for ambiguity if it is seen as a way of accommodating differences. In the case of the IMF's conditionality policy, both staff and Directors raised concerns about increased discretion when they felt that it might create a perception of uneven treatment. Staff also tended to oppose a more ambiguous scope in cases where they believed it might precipitate a move into more political—and thus controversial—territory. On the other hand, the IMF has also been driven by concerns about its declining legitimacy in its most recent decision to rely on more ambiguous reviews, hoping that the additional flexibility will increase borrowers' comfort in dealing with the organization. In each of these cases, actors' support for ambiguity was influenced by their perception of its effects on institutional legitimacy. Actors' preferences for ambiguity are thus shaped by both strategic concerns and broader cultural and social factors.

Structural Factors

Although such preferences for or against institutional ambiguity play an important role in shaping IO policies, the ultimate outcome also depends on several broader, more structural factors. Whether or not a given policy area is subject to institutional ambiguity depends on the relative influence of different actors within the organization on that issue, the extent to which the organization itself is insulated from external pressures, and the extent to which that issue is subject to the challenges of uncertainty, complexity and diversity.

The first of these factors is relatively self-evident: how actors' preferences for ambiguity translate into policy will depend on their influence on that issue—which will in turn depend on the decision-making structure within the organization and the relative power of key players. In the case of the IMF, decision-making on the Executive Board is based on a consensus-model—although industrialized country Directors and staff have far more ability to shape that consensus than developing country Directors. Not surprisingly, decisions on conditionality policy guidelines have tended to favor the preferences of staff and industrialized directors, with some concessions to developing country concerns.

To these internal balances of influence within an organization, we must add the force of external pressures. Some organizations are more insulated than others, and some individual issues can be the subject of more external pressure. Since its creation in 1944, the IMF's conditionality policy has become increasingly vulnerable to external pressure. In 1968, it was largely insulated from such pressures, with the debate taking place with a minimum of external influence; by 1978, the issue of conditionality had become more politicized and was the subject of considerable debate by developing country leaders and organizations. By 2002, a whole host of NGOs, scholars and public intellectuals had joined the debate. In each case, the involvement of additional critical forces tended to alter the balance within the organization to provide more weight to the views of poorer country Directors and to increase staff concerns about legitimacy.

Finally, institutional ambiguities can be useful not only for individual actors but also for organizations as a whole, enabling them to respond to the challenges of uncertainty, complexity and diversity. Some issue areas are more prone to these problems than others. In the economic realm, the global environment has become more rather than less uncertain over the past half-century, fueled by the increasing volatility and complexity of capital flows (Best 2005; Helleiner 1994). As developing countries have become more integrated into the global economy, they have become more vulnerable to sudden changes in exchange rates and capital movements—all of which can derail an IMF adjustment loan or a World Bank program. Institutional ambiguities create options for dealing with such contingencies.

The second factor that contributes to the adoption of ambiguous policies is the growing complexity of the problems that IOs tackle—ranging from the IMF and World Bank's attempts to address the roots of underdevelopment and economic instability through governance conditionality to efforts by organizations such as NATO to respond to increasingly complex non-state security challenges. Some problems are simply too complex to be easily addressed through quantitative targets, rigid rules or narrowly defined policies. Finally, the sheer variety of unique cases and circumstances creates problems for an unambiguous approach. The more diverse IOs' membership, and the more varied the issues that they have to deal with, the more likely it is that they will find institutional ambiguity a useful resource.

Implications: Enabling Institutional Overreach

This organizational tendency towards ambiguity has a further important effect: it fosters institutional expansion. Barnett and Finnemore point out that IOs' capacity to make rules for the world can produce institutional expansion as more and more activities are defined as part of the organization's mandate (Barnett and Finnemore 2004:33-34). Yet, although the link between rationalization and expansion is suggestive, it is ultimately inconclusive: after all, a rule-based "stick to your knitting" approach could also produce more anxiety about expansion into new unfamiliar areas (Barnett and Coleman 2005).

On the other hand, it is easy to see how institutional ambiguities can lead to an expansion in scope. Textual ambiguities, such as the use of an open-ended term like "necessary" or "critical" create considerable room for an expansive interpretation, as a growing range of issues get included in that elastic term. Institutional ambiguities can also enable expansion: the very indeterminacy of review clauses and structural benchmarks makes them amenable to including ever more arcane conditions. In fact, it is not so much the rules themselves but the problems that they pose—their unsuitability for an uncertain and ever-changing environment—that has lead to policy expansion in many cases. As I will discuss below, the restrictions that the Board placed on the number of formal performance clauses in their 1968 and 1978 guidelines led to an increased reliance on informal (and more ambiguous) conditionality practices—which enabled a significant expansion in conditionality.

The Evolution of IMF Conditionality

In spite of their different contexts, the three major IMF debates on conditionality policy in 1968, 1978-9 and 2001-2 all involved discussions of the problem posed by uncertainty and the challenges of ambiguity. Directors debated whether uncertainty was best managed by increasing or decreasing institutional ambiguities, with the principal dividing lines between drawn between developed and developing state Directors. Finally, in spite of efforts to clarify conditionality policy, in each case the ambiguities in the guidelines created the conditions for new forms of policy expansion.

The British Exception and the Push to Formalize the Fuidelines

Although the possibility of imposing conditions on borrowing governments was initially made possible by the Executive Board in 1947, conditionality policy was not formalized until 1968.[xii] What prompted this move to create clear guidelines was a debate over whether the Fund was treating all of its members fairly, following the Board's agreement to an exceptional standby arrangement with the United Kingdom in 1967. What was unusual about this agreement was not simply its size ($1.4 billion), but the fact that the funds were provided without a single quantitative performance clause. This was in spite of the best efforts of the Fund's Managing Director and staff to wring some kind of quantitative guarantees from the British. As one internal memorandum from mission staff noted, "British officials had been very courteous but unyielding" (IMF 1967). The British government felt that to agree to quantitative commitments would not only be imprudent, given the considerable uncertainty created by the financial crisis, but would also be politically unpopular (British Archives 1967c). They also felt that theirs was a special case. As one British government official involved in the negotiations noted, "We tried to explain that it was wrong to apply to the U.K. with its sophisticated monetary system principles and practices which might be perfectly alright for the Argentine or a lesser-developed African country" (British Archives 1967a). In the end, the Fund mission accepted an agreement in which the British committed themselves to regular consultations with Fund staff but no quantitative commitments.

The Executive Board accepted the British stand-by arrangement in November of 1967. But that was far from the end of the matter. A number of EDs were concerned about what appeared to be preferential treatment for the UK. As the British Director, E.W. Maude, noted "it was perhaps unfortunate that the very next stand-by to come to the Board after our own, i.e. the Bolivian, embraced a plethora of protective clauses" (British Archives 1967b). Lead by Alexandre Kafka, the Brazilian ED, a number of Directors, primarily from developing countries, suggested that they too would prefer fewer performance clauses and more consultations. After some debate on the Board, there it was agreed that there should be a discussion of IMF stand-by policies. The ultimate, if unintended, result of the UK stand-by arrangement was thus a formal Board review of the conditionality policy in August and September of 1968.

The Debate and the Guidelines

As they sat down to discuss conditionality policy, EDs had before them a staff paper that set out one of the themes that would resonate throughout the ensuing debate: the problem of uncertainty. The staff noted that the very fact that the Fund could refuse requests for funding meant that member countries were faced with significant uncertainty about the funds available to them. Conditions were a crucial way of overcoming "this feeling of uncertainty" for borrowers, while "maintaining the necessary adequate safeguards" for the Fund (IMF 1968c:2). To minimize uncertainty, the staff argued that conditions should be as precise as possible and, in so far as it was possible, "stated in quantitative terms" (IMF 1968c:8). Yet they did recognize the dilemma at the heart of this strategy, noting that it had been suggested that the use of quantitative targets "assume[s] an excessive degree of precision in forecasting the interaction of complex variables"(IMF 1968c:24).

Three major lines of debate about institutional ambiguities emerged in the ensuing discussion: on the degree of *discretion* that the Fund should be allowed in applying the conditionality policy; on the degree of *objectivity* possible and desirable in measuring and monitoring compliance; and on whether the *scope* of Fund conditionality should be extended from monetary to fiscal policy.

Early on in the discussion, several developing country Directors argued for a rules-based approach. The Guatemalan Director, Jorge Gonzalez del Valle, echoed several others in expressing his concern about the reliance on subjective criteria in some of the staff's proposals (IMF 1968d:18). Many other Directors, however, including the Canadian, French, and American EDs, argued for greater *discretion*. William Dale, the US Director, summed up these feelings when he argued that it "would be wise to avoid undue rigidity in setting any policy for stand-by arrangements, not only because unforeseen circumstances might arise, but also because it was desirable to leave room for innovation by the Fund staff in writing stand-by provisions" (IMF 1968g).

A second debate on institutional ambiguities emerged between those who argued for the importance of *quantitative and objective* performance clauses and those who argued for a greater reliance on more subjective consultation procedures of the kind that the British had obtained. The German ED, Gunther Schleimenger was representative of those who argued for a tough approach to measuring compliance through the use of quantitative criteria as alarm bells to indicate when policies were out of line (IMF 1968d). Yet most Directors were ambivalent about quantitative targets: for example, Herman Biron, the Belgian alternate ED, suggested "the qualitative approach was in principle better because it could take into account all the elements of the situation, but quantitative targets had the advantage of being simple and easy to understand and to apply" (IMF 1968d).

A third, somewhat less prominent, line of debate on institutional ambiguity focused on the question of the *scope* of conditions. The staff paper that the Fund focused primarily on monetary rather than on fiscal policy for political reasons:

> Budgetary operations as well as the operations of public agencies reflect the social and economic priorities of the member. … If they are made performance criteria and included in performance clauses, the impression may be created that the Fund is making a judgment on the priorities of the member (IMF 1968c:23).

While several Directors including the Brazilian Kafka and Leon Rajaobelina, an African alternate ED, supported limiting the scope of Fund conditionality to monetary policy on similar grounds, others including Directors from Germany, Canada and the Netherlands challenged the staff's position, arguing that fiscal policy was essential to a state's external balance (IMF 1968d:20, 27; IMF 1968e:7, 10-14; IMF 1968f:11, 13, 15-16).

It is worth highlighting four key insights that can be drawn from these discussions. First, it is clear that Board members were aware of the issue of ambiguity in their deliberations. They spent significant time discussing the meaning of the concepts that they wished to enshrine in the rules—debating the meaning of uniformity, equity and flexibility. Many of the Directors even shied away from making a formal decision on conditionality guidelines, on the grounds that it would reduce policy flexibility. The Italian ED Francesco Crispi summed up this sentiment when he suggested that he "favored an informal decision at the conclusion of the present series of discussions, as this would make for greater flexibility and afford greater scope for both improving present practices and adapting the Fund's policy to new circumstances in the future" (IMF 1968h:5).

Second, this debate demonstrates Directors' and staff members' awareness of the challenges facing any conditionality policy: the problem of uncertainty and the likelihood of "unforeseen circumstances" complicating any rigid application of policy rules; the need for policies to take "all the elements of the situation" into account; and the importance of responding to a diversity of cases. In each case, they recognized the usefulness of institutional ambiguity as a strategy for addressing these challenges.

Third, the debates reveal the strategic interactions among actors, as they debated different forms of ambiguity. Although they were not clear-cut, the principal divisions among Executive Board members were between industrialized and developing nations, as Table 4.1 indicates. Directors representing developing countries tended to argue for greater clarity and uniformity in the Fund's treatment of member countries, while those from industrialized countries argued for more staff discretion. On the other hand, many developing country directors argued for less reliance on quantitative conditions, preferring the more ambiguous, qualitatively-based consultations that the British had obtained in their stand-by arrangement. On the question of the scope of the Fund's conditions in general and the appropriateness of fiscal conditions in particular, Directors from developing countries tended to argue for a narrower approach while several Directors from industrialized countries argued for an expansion into fiscal policy. Fund staff took their own positions on these issues, siding with the industrialized state Directors in favor of objective criteria, but supporting developing state Directors' arguments against a vaguer, more political definition for conditionality policy.

A fourth interesting insight that can be drawn from this debate is the role played by concerns about expertise and legitimacy in shaping staff views on ambiguity. The staff's opposition to the expansion of conditionality into fiscal policy was based on their concern that such a move would undermine the perception of neutrality that was key to their legitimacy. The way that this discomfort with an expansion in scope was addressed is also revealing: the staff were asked to prepare a second document on the subject of monetary and fiscal policy, in which they buttressed their initial political argument against fiscal conditionality with a technical argument regarding the difficulty of obtaining reliable fiscal data (IMF 1968b). The discussion thus shifted from a debate on the political desirability of placing conditions on fiscal policies to a technical consideration of the practicalities of doing do. This was the first step towards reconciling the expansion in scope with the IMF staff's expert culture.

The guidelines finally agreed upon reduced certain institutional ambiguities and increased others (IMF 1968a). Industrialized EDs successfully limited the use of more ambiguous evaluation measures, formalizing the use of quantitative performance clauses in all but exceptional cases. Developing country directors succeeded in limiting the scope of conditions to those criteria deemed "necessary" to achieve the program's objectives. At the same time, the guidelines did allow considerable discretion, noting that "No general rule as to the number and content of performance criteria can be adopted in view of the diversity of problems and institutional arrangement of members." Moreover, the informal character of the ultimate Board decision left room for adaptation and evolution in conditionality guidelines—room that was rapidly taken up over the next decade.

The Application of the 1968 Guidelines

Between 1968 and the next review of guidelines in 1978-79, IMF conditionality policy became increasingly ambiguous, as both the scope of conditions and staff discretion increased. In the years following this debate, Fund staff and EDs needed the institutional ambiguities that they had created in order to respond to the rapidly changing economic and political context within which they operated. Between 1968 and 1978, when the next round of revisions to the guidelines were initiated, the world witnessed the collapse of the fixed exchange rate system, a major oil crisis, and the rise of stagflation.

The Fund's conditionality policy evolved to respond to these new generators of uncertainty. The Executive Board created several new lending facilities (De Vries 1985:481). After the 1968 decision, the number of performance criteria also became standardized (IMF 1986:5). Yet the Fund began to expand the scope of its conditionality, including conditions on exchange rate policy, levels of external debt and trade liberalization (De Vries 1985:487-8; Dell 1981:20-1).

How did the IMF reconcile this expansion in scope with the Board's earlier decision to limit performance criteria? By not including these more controversial conditions in the performance criteria, but instead using informal policy mechanisms—such as the Letter of Intent (IMF 1978a:7-8). Fiscal conditions were also increasingly incorporated as preconditions, a form of conditionality that had not been discussed in 1968 (De Vries 1985:488); as the name indicates, states were obliged to comply with preconditions before an agreement was reached on a right to access Fund resources. Paradoxically, as the conditions themselves became increasingly specific and quantitative, the boundaries of conditionality became less defined (De Vries 1985:488). While those aspects of the guidelines that were more strictly defined did limit the expansion of formal performance criteria, the open-ended character of the guidelines allowed the proliferation of new more ambiguous forms of conditionality over time.

As the conditions attached to the Fund's regular facilities multiplied, developing countries reacted, arguing that Fund conditions were too strict, too severe, overly monetarist and unresponsive to different political circumstances (De Vries 1985:489-94). This time, the debate was wider than before and the external pressures on the Fund more intense. The leaders of many developing countries were vocal in their criticisms of Fund conditionality. In 1978, the Group of Twenty-Four, representing developing member countries in the Fund urged the institution "to limit the performance criteria only to relevant macro-economic variables, paying due regard to the growth considerations of member countries, and their prevailing economic and social situations" (G-24 1978). In response to these various criticisms, the Executive Board finally agreed to review the conditionality guidelines, a task that they undertook between June of 1978 and March of 1979.

The 1978-79 Debate: Polarization and Politicization

The Debate and the Revised Guidelines

This debate was far more polarized than the first one. The paper that the staff prepared as a background for the Executive Board discussion openly acknowledged critics' claims that conditions were deflationary, too standardized and insensitive to the political and social context of borrowing states (IMF 1978a:8-11). Although in practice, the staff had been relying increasingly on specific and quantitative targets in their application of conditionality, the paper also placed considerable emphasis on the importance of qualitative techniques, judgment and flexibility. To those who charged the Fund with being too unpredictable in its decisions, they noted: "it is essential that judgment continues to play an important part in determining whether the set of measures proposed by a government conforms with the Fund's policies on the use of its resources" (IMF 1978a:13). Although they generally refuted their critics' claims, the staff did respond by proposing a new policy practice—review clauses (IMF 1978a:17-18); periodic reviews were intended to allow both staff and borrowing countries to adapt conditions to changing circumstances, thus incorporating further flexibility into programs.

This time around, the debates on the Board were more contentious. On one side were the critics, mostly from developing countries, who argued that the harshness of the conditions and their insensitivity to the political context had produced significant "social unrest and the loss of life" (IMF 1978b: 43). Ranged on the other side of the debate were several keen defenders of the Fund's current practices in general, and of the strictness of its conditionality in particular, including the Directors from Germany, the Netherlands, Austria, Canada, Japan and the United States. They emphasized the importance of maintaining tough conditions, and blamed borrowers for coming too late to the Fund (IMF 1978b: 43).

On the question of scope, Directors from developing countries were by far the most vocal in challenging the proliferation of conditions. Directors from India and Syria specifically criticized the growth of preconditions as unjustified, the Syrian Director arguing "since these prior conditions are applied only to some countries and not to others, insistence on their prior implementation violates the principle of uniformity of treatment" (IMF 1978c:6). On the other side, the Dutch Director argued, "The wrong way [to reform IMF policy] would be to reduce in general the degree of conditionality" (IMF 1978b:30).

As in 1968, those from developing countries sought to contain the expansion of Fund conditionality while those from industrialized states generally supported its increasing *scope* (see Table 4.2). Developing members also expressed more faith in qualitative and *subjective* policy practices than those representing industrialized states, who generally feared that review clauses would provide an excuse for leniency (IMF 1978c:12, 25). At the same time, developing country Directors also expressed concerns about staff *discretion*, particularly with respect to preconditions (IMF 1978b:9, 13, 31; IMF 1978c:5, 22).

In the final guidelines, industrialized country Directors succeeded in limiting ambiguity in measurement and evaluation by ensuring that quantitative performance clauses were retained, and preconditions formalized (IMF 1979). At the same time, developing country Directors gained some ground—helped both by external pressure and by staff support on certain issues. The guidelines included clauses stating that conditions should be adjusted where necessary to respect domestic social, political and economic objectives and incorporating review clauses for multi-year arrangements. The ninth guideline also continued to limit the scope of performance criteria to issues deemed "necessary"—a constraint on discretion, although one that itself remained rather ambiguous. Both the efforts to constrain ambiguity and those to increase it were to have important repercussions in the years to come.

The 1979 Guidelines are Applied

The next two decades witnessed an increase in the guidelines' scope, in the subjectivity of the conditions and in the extent of staff and Board discretion, in the context of significant transformations in the global economy. Just a few years after the guidelines were passed, the 1980s debt crisis began, as interest rates skyrocketed and developing states found themselves unable to service their debts. As the IMF found itself lending increasingly to very poor countries with longstanding economic difficulties, the Board created concessional facilities and introduced structural conditions designed to tackle the more profound economic difficulties that these countries faced. Structural conditions encouraged the privatization of state-owned enterprises, the creation of independent central banks and the reform of financial sector regulations (Boughton 2001:Part III; IMF 2007; IMF 2001b). The IMF thus found itself lending to a wider range of countries, for much longer periods of time, and with more complex objectives than in the past.

These decades witnessed a significant expansion in the ambiguity of IMF conditionality policy: the scope of conditions was broadened; conditions became increasingly qualitative and subjective; and staff and Board members gained greater discretion in applying them. Although this transformation in conditions seemed to contradict the 1978 guidelines, the ways in which the conditions evolved were to some extent enabled by that earlier agreement: on the one hand, the guidelines' ambiguity about the number of performance criteria appropriate enabled their proliferation; on the other, the effort to limit discretion in the ninth guideline (which restricted performance criteria to macroeconomic variables except in exceptional cases) led Fund staff to rely increasingly on reviews and prior actions to develop more ambiguous "understandings" with borrowing government on other areas of economic policy (IMF 1986:15).

While the increasing reliance on reviews increased the Fund's flexibility in responding to changing circumstances, they also had the effect of increasing uncertainty for borrowing countries. Although developing country directors had supported the introduction of review clauses in the hopes that they would have the power to interpret them in a way that would grant them flexibility, the ultimately result of the policy was actually to shift the power to interpret ambiguity further to the Fund, creating more rather than less uncertainty for borrowers.

As the staff noted, these reviews were used most where there was significant "uncertainty surrounding pro[s]pective developments in the members' economies" and in cases where "certain policy instruments (particularly micro-economic variables or structure measures) . . . could not be readily quantified" (IMF 1986:16). Because structural conditions were complex and therefore notoriously difficult to reduce to quantitative targets, the staff began to depend on other subjective practices, including newly invented structural benchmarks: missing one or more benchmarks did not necessarily lead to the suspension of the right to financing, as would happen for missed performance criteria. It was therefore not only through the application of the existing rules that the Fund was able to exercise its authority but also, crucially, through its exploitation of the gaps in those rules. In the face of the challenges of uncertainty and the resistance of complex problems to quantification, the Fund staff began to rely more on ambiguous policy practices.

The expansion of structural conditions reached its peak in the late 1990s with the Asian financial crisis, an event that forced the Fund to seriously re-evaluate its role and policies. Not only had Fund staff failed to predict the crisis, but their narrowly neoliberal policy advice was blamed as a factor in precipitating it, while the financing packages they imposed in response to the crisis were excessively strict, interventionist and even counter-productive (Grabel 1999; Sachs 1997; Singh 1999; Wade and Veneroso 1998). The Fund received terrible press during the crisis and found itself the target of a huge international outcry, fueled by newly-influential NGOs, emerging market country leaders, and popular economists. In 2000, in the midst of this institutional crisis, Horst Köhler took over as Managing Director and soon identified conditionality as an area in need of reform. He introduced interim guidelines in September of that year. Shortly afterwards, the Executive Board began a lengthy review of the Fund's conditionality policy, which ultimately resulted in revised guidelines in September of 2002 (Köhler 2000).

The Debate and the New Guidelines

What is particularly notable about the documents that staff prepared for the Board this time is the extent to which they recognized the ambiguity of the Fund's conditionality policy. They noted that although performance criteria are highly specific, the Board has the discretion to grant a waiver (IMF 2001b:12-13). Program reviews had become increasingly wide-ranging—not only assessing past performance but also making adjustments to the expectations for future progress. Increased uncertainty imposed important limits on the use of objective quantitative conditions, and fostered greater reliance on more ambiguous practices (IMF 2001b:14).

Staff also pointed out that the use of prior actions had extended well beyond their original objectives, and that the status of the additional policies outlined in the Letters of Intent and other memoranda was unclear "creating ambiguity about the boundaries of conditionality" (IMF 2001b:17). Although the staff provided some justification for this expansion and blurring, they noted that these developments have "prompted legitimate concerns: in particular, that the Fund is overstepping its mandate and core area of expertise, using its financial leverage to promote an extensive policy agenda and short-circuiting national decision-making processes" (IMF 2001a:9). Throughout successive staff reports on conditionality, there was a heightened awareness of the political costs and consequences of excessive IMF conditionality and of the importance of country ownership—or domestic political will—for successful program implementation (IMF 2001a; IMF 2001b:17-20; IMF 2001d).

The ensuing debate on the Executive Board was animated. The Board was not cleanly divided between developing and industrialized states, although those who articulated the strongest arguments for reform represented low-income constituencies while those who most strongly supported the existing policy represented industrialized states. This time around, the debate on the scope of conditionality was particularly prominent. Many Directors, including those from Brazil, Finland, Egypt, Anglophone Africa, Indonesia, India, China, Saudi Arabia and Germany argued for the importance of narrowing the scope of IMF conditionality; the representatives from Egypt, Shakour Shaalan and Samia Farid noted that "There is a widespread conviction, with which we are by and large in agreement, that Fund conditionality has generally become too broad, too detailed, and too intrusive" (IMF 2001c).

There were, however several Directors who expressed reserves about the restrictions on scope proposed in the staff paper and who argued for the importance of retaining structural conditions (IMF 2001c:31, 46, 52, 59, 68-9, 117-18). The US ED , Karen Lissakers and her alternate, Meg Lundsager suggested:

> We agree that there will be cases where a smaller number of conditions is desirable…. However, the approach proposed in the overview paper is too narrow. While we would agree that including conditions that are 'merely relevant' could be too inclusive, focusing exclusively on those policies that are critical to the main macroeconomic objectives is a tight jacket indeed (IMF 2001c:101).

What is perhaps most notable about the 2001-02 discussions, particularly the first sessions in which Directors staked out their positions on the staff recommendations, is the almost complete consensus on the Board that the move towards staff discretion had finally gone too far (Table 4.3). Although a few Directors, most notably the Canadian and American EDs, emphasized the importance of judgment in conducting program reviews (IMF 2001c:65, 102), most argued for reducing their discretion (IMF 2001c:8, 37, 86; IMF 2002b: 107-8,21, 44, 75).

Many Directors also expressed concerns about the ambiguities that characterized their own discussions. Michael Callaghan, the Australian ED, summed up many of these sentiments in a statement that was later supported by a number of other Directors. He suggested that he was struck by:

> This great problem of semantics. In reading the statements, Directors were interpreting words, some slightly differently, particularly key words such as saying 'conditions have to be critical.' Some Directors seemed to see that as a straitjacket. Others seemed to see that anything less than 'critical' would be too wide. But, in the end, when reading all the statements . . . Directors' views were not too far apart. But then, that led to the fact that if Directors had problems in interpreting those words, the he sympathized with the staff in the problems that they had in having to put them into practice (IMF 2001c:107).

The guidelines that were ultimately agreed did seek to reduce the ambiguity of the policy in several ways: they defined the scope of conditions more narrowly and more clearly, defined reviews more carefully, and mandated a clearer articulation of the status of Letters of Intent and other memoranda. At the same time, they did leave room for flexibility, noting the diversity of members' situations and allowing for the continued use of structural benchmarks in cases where uncertainty made objective performance criteria difficult (IMF 2002a). These ambiguities played a key role in making possible what happened next.

The Guidelines in Practice

In spite of these attempts at introducing some real changes, the evidence on the results of streamlining conditionality is not encouraging. The 2007 Independent Evaluation Office report on structural conditionality concluded that the streamlining initiative had not reduced the number of conditions and that Fund programs still included conditions that were not critical (IMF 2007:4, 29). It appears that there was not agreement among staff on what streamlining meant, in spite of the efforts of the Executive Board to nail down a clear definition—and in spite of their belief that they had done so.[xiii] Just as the Australian ED had warned, there were very different interpretations at play as the policy debate was translated into practice.

Some Directors and staff have suggested that another reason for the outcome was that, as the East Asian crisis faded from memory, the Board focused on individual cases, rather than considering their overall philosophy on conditionality, which led in some cases to an emphasis on governance conditions.[xiv] Others have suggested that a change in senior management and a change of heart among certain Directors meant that they were not willing to exercise the kind of strong leadership needed to ensure a rigorous interpretation of the guidelines.[xv] In either case, the ambiguity of the guidelines made such interpretations possible, enabling the application of the Fund's conditionality policy to elude the spirit of the guidelines once again.

I mentioned at the beginning of this article that in the aftermath of the recent global financial crisis, the IMF Board has once again decided to revise its conditionality policies, motivated by a desire to increase the Fund's legitimacy by removing the "stigma" from turning to the Fund, particularly for emerging market countries. The Fund is once again focusing on streamlining conditions, thus reducing the scope of conditionality policy. Yet, at the same time, the Fund's Board and staff have embraced new forms of ambiguity: more ambiguous reviews will now replace performance criteria as the basis on which structural conditions are monitored, with the Board making a qualitative judgment on whether the country is meeting the program objectives. Why this return to ambiguity? Because the quantitative performance criteria did not always accurately reflect the complexity of the country's performance (Andersen 2009).[xvi] In response to one of the most profound economic shocks of its history, and in a context of almost unprecedented uncertainty, the IMF thus continues to seek ambiguous solutions to its policy challenges.

Conclusions

This study not only reveals *how* international organizations like the IMF adapt to various kinds of uncertainty, but also provides clues as to some of the factors that explain *why* they might adopt more ambiguous policies, and what are some of the implications of that trend. In the process, this analysis also helps to resolve the three puzzles outlined at the beginning of this article.

The first puzzle that the history of the IMF's conditionality policy posed was not only the persistence of ambiguity in a rational bureaucratic organization, but also the fact that actors actively sought to maintain or increase the ambiguous character of Fund guidelines. My findings confirmed some of the insights of legalization and PA analysis, showing that key actors did choose more ambiguous regulations and that the form and degree of institutional ambiguity was contested. Both staff and Directors tended to support those forms of ambiguity that they believed would provide them with the flexibility they needed to adapt to an uncertain economic environment. Yet they only supported such forms of ambiguity if they felt that they would have the capacity to interpret those ambiguities in ways useful to them over time. Hence both staff and Directors from industrialized countries generally supported increased staff (or top-down) discretion, while Directors from developing countries generally supported various kinds of ambiguity that would provide more borrower (or bottom-up) flexibility.

Actors' preferences did not however always follow the patterns predicted by rationalist theory. Staff and ED support for ambiguity was not just driven by their interests but was also complicated by the dominant economistic culture of expertise within the Fund, and by concerns about legitimacy—concerns more consistent with constructivist and other sociological insights into organizational practice. Staff members, for example, did not simply support increased bureaucratic discretion, as PA theory would predict. Instead, IMF staff altered their preference for discretion over time—first seeking to maintain it in 1968, then to increase it in 1978, and finally to decrease it in 2001.

That ambivalence is due in part to the peculiarities of the organization's expert culture: although as pragmatic practitioners, the staff and most Board members are very much aware of the need for flexibility and of the limits of quantitative rules, as economists and bureaucrats they are also uncomfortable with policies that force them beyond their area of expertise, and into realms less easily subject to mathematical rigor (Boughton and Mourmouras 2002; IMF 2005a; IMF 2005b).[xvii] This anxiety about moving outside their expert comfort zone is often linked to concerns about the institution's legitimacy—which is based in large measure on its expertise and neutrality. Such concerns about expertise and legitimacy played a role in the staff's initial opposition to an expansion into the more "political" terrain of fiscal policy in 1968, and also motivated their efforts to reduce the discretion of conditionality policy in the 2001 debate. Concerns about legitimacy and expertise therefore can play a role in shaping actors' preference for ambiguity.

Whether or not these preferences are ultimately translated into changes in institutional policy, however, depends on a number of other more structural factors. Staff and industrialized country Directors were generally more likely to have their preferences realized in the agreed guidelines than developing country Directors. Yet as the IMF became increasingly subject to external pressure—first from developing country leaders, and ultimately from NGOs and public critics—developing country Directors managed to gain more support for their views, and to make more advances in the 1978 and 2002 guidelines.

The policy environment also plays an important role in determining the extent of institutional ambiguity. An *uncertain* environment can encourage more ambiguous policy practices. Thus, for example, the staff noted in 2001 that the "The increasing use of reviews in conditionality reflects, in part, increased uncertainties surrounding the variables monitored as PCs [performance criteria], associated in part with the increased volatility of international capital flows" (IMF 2001b:14). A second major factor that led to increased institutional ambiguity was the growing *complexity* of IMF conditionality policies, particularly with the rise of structural conditions. More complex programs cannot be as easily evaluated using quantitative methods, requiring more flexibility of interpretation and the use of judgment. The IMF's reliance on policy ambiguity is also clearly linked to the fact that it must apply a single set of guidelines to an incredibly *diverse* set of individual cases.

Together, these structural factors also help to answer the third puzzle that the IMF case poses: the continued expansion in the scope of conditionality policy, even in cases in which all major actors would prefer to reduce it. The challenges of uncertainty, complexity and diversity combine to create a situation in which the Fund has certain predispositions towards selecting more ambiguous interpretations of policies when applying them, even when the guidelines seek to limit such ambiguities. In the case of the IMF, the Directors' efforts to define clear rules and to apply quantitative criteria have consistently confronted certain limits: no single rule can reasonably apply to the many unique circumstances that individual states face at different times in their economic development; it is therefore always necessary to *interpret* how to apply a given rule.

Strict rules, like those involving quantitative performance clauses, must be qualified with exceptions, or supplemented by more ambiguous policy practices, like Letters of Intent, structural benchmarks and review clauses. In confronting the limits of precise, objective solutions to problem of uncertainty, institutional actors therefore tend to move in the opposite direction, towards greater institutional ambiguity.[xviii]

In doing so, organizational actors create the conditions for policy expansion; more ambiguous practices can be applied to a wider range of issue areas that are not amenable to strict rules or quantitative measurement. Yet as they move into new and more complex policy areas, staff find them even more resistant to objective rules, requiring more discretion and a more creative interpretation of the guidelines; thus the ambiguities in conditionality policy continue to proliferate even as key actors seek to contain them.

Although this article has focused specifically on the case of the IMF, the theoretical framework developed here has the potential to shed light on organizational practices more generally. Looking inside the black box of the IO, this study advances a number of propositions about the ways in which institutional actors are likely to treat ambiguity, suggesting that ambiguities will be the subject of strategic interaction, with staff and state actors debating its appropriate role. More specifically, we would expect that weak actors will tend to support those forms of ambiguity that will enable creative "bottom-up" adaptation, while strong actors will prefer those that enable greater institutional scope and discretion. Meanwhile, while staff will generally prefer those forms of ambiguity that increase discretion and scope, concerns about institutional culture and legitimacy may lead them to oppose increases in ambiguity that would appear to increase their discretion and autonomy. This study also points to broader structural factors that will affect the tendency of different IOs to adopt institutional ambiguity—such as the degree of complexity in their objectives, the level of uncertainty that they face and the diversity of cases that they deal with.

This study also provides some broader insights into our understanding of international organizations, and suggests that those of us who seek to understand IOs and broader patterns of global governance should pay more attention to the role of ambiguity. Yes, rules work to make the world governable in particular ways, but so do the gaps between them, the things that don't quite fit within them and the moments of interpretation that are required to put those rules into practice. Moreover, institutional ambiguities can often be a crucial source of the power of organizational actors. In order to truly understand international organizations, we therefore need to focus not just on their capacity to create global rules, but also on the creative ways that they respond to the limits of doing so in a complex and uncertain world.

TABLE 1: Uncertainty and Ambiguity

Concept	**Forms**	**Definition**	**Cause**
Uncertainty	About environment and actors	Lack of information or knowledge	Imperfect information and unpredictability of future
Ambiguity	Textual and institutional	Openness of texts and policies to interpretation	Multiple meanings inherent in language and social action

TABLE 2: Institutional Ambiguities

	More ambiguous	**Less ambiguous**
Authority to interpret	Discretionary	Rule-based
Forms of measurement	Qualitative/subjective	Quantitative/objective
Scope of policy	Broad/fuzzy boundaries	Narrow/clear boundaries

TABLE 3: Ambiguity of Conditionality Practices

More ambiguous	**Less ambiguous**	**Depends on situation**
Review clauses Letters of intent Structural benchmarks	Performance clauses Mechanical triggers	Preconditions Prior actions

TABLE 4: Preferences for Institutional Ambiguity

TABLE 4.1: 1968 Debate

	Decision-making	**Measurement**	**Scope**
Staff	Maintain discretion	More quantitative	Narrower
Industrialized EDs	More discretion	More quantitative	Broader
Developing EDs	Less discretion	More qualitative	Narrower

TABLE 4.2: 1978 Debate

	Decision-making	**Measurement**	**Scope**
Staff	More discretion	More qualitative	Broader
Industrialized EDs	More discretion	More quantitative	Broader
Developing EDs	Less discretion	More qualitative	Narrower

TABLE 4.3: 2001-02 Debate

	Decision-making	**Measurement**	**Scope**
Staff	Less discretion	Less qualitative	Narrower
Industrialized EDs	Less discretion	Less qualitative	Narrower
Developing EDs	Less discretion	Less qualitative	Narrower

(Note: These categories of different actors are generalizations representing the dominant view of EDs and staff in each debate. There are always some exceptions.)

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[ii] In doing so, the article also seeks to contribute to the long history of scholarship on IMF conditionality, including: (Dell 1981; Diz 1984; Gold 1979; Guitian 1981; James 1998; Polak 1991)

[iii] Erica Gould, for example, argues that IMF EDs have consistently sought to reign in staff discretion since the 1960s (Gould 2006: 293, 300-03).

[iv] There are therefore interesting parallels with the case of Interpol discussed by Barnett and Coleman, in which institutional staff resisted efforts to make the scope of their mandate more ambiguous because of concerns that it would reduce the perceived neutrality of the organization and thus erode its legitimacy and autonomy (Barnett and Coleman 2005).

[v] I have relied primarily on IMF Executive Board minutes and staff papers and reports, accessed at the IMF Archives in Washington, DC, as well as on some internal memos and documents prepared by the British Treasury Department, accessed at the National Archives in London. Although minutes from Executive Board meetings are generally kept confidential for 10 years, it is possible to ask permission of the Board itself to have certain parts of the minutes released for scholarly purposes. The material cited here from the 2001-2002 Board meetings was released to me by approval of the Executive Board effective February 13, 2007.

[vi] Throughout the article, I will indicate where appropriate which actors within the IMF are authors of particular actions; however, I will also follow the Fund's own usage in referring to the organization as an actor where it makes most sense to do so.

[vii] (Blyth 2007; Koremenos, et al. 2001:778-9) Constructivists see uncertainty as a more pervasive problem than a simple lack of information and focus on the problems posed by the unpredictability of the future. Like rationalists, however, they see institutions as useful for reducing uncertainty, not only because they increase information and reduce transactions costs, but also because they work to foster convergent expectations. (Beckert 1996; Blyth 2002; Knight 1946; Best 2008).

[viii] For a fuller account of my conception of ambiguity and its differences from uncertainty, see: (Best 2005; 2008).

[ix] In the case of the WTO, for example, GATT Article XXI, which outlines situations under which countries can demand an exception to free trade regulations on the basis of national security concerns, includes ambiguous terms such as "considers necessary" and

"essential security interests" (Lindsay 2003:1268). Similarly, as Barnett and Coleman point out, the definition of a "political" crime was initially left unspecified in the International Criminal Police Commission's articles (Barnett and Coleman 2005:608). I have discussed the role of textual ambiguities in the IMF's Articles of Agreement in: (Best 2005: Ch. 3).

[x] Similarly, when the World Bank's Executive Board discussed the introduction of governance conditionality in the early 1990s, EDs were divided on issue of whether to expand the policy's scope. As the World Bank President, Barber Conable, noted at the time, "There remains some apprehension among our borrowing members that our staff might exceed the Bank's mandate in ways which could be interpreted as interfering in the political affairs of our borrowers." Conable went on to note that such concerns were linked to "the difficulty of drawing neat lines in this area" —in other words, the ambiguity of the concept of good governance (Conable 1991).

[xi] In fact, Barnett and Coleman find precisely this kind of behavior in their study of Interpol, where they found that staff initially resisted efforts to expand the organization's mandate to include terrorism, which they deemed as overly political, and thus a threat to their expert authority (Barnett and Coleman 2005:607-8).

[xii] It is worth noting that the principle of conditionality was itself introduced through a creative reinterpretation of the ambiguities in the Articles of Agreement. On the early years of conditionality, see: (De Vries 1985:482-5; Dell 1981:7-10; Horsefield 1969:149-56; Martin 2006:149-56).

[xiii] Interviews with members of the Executive Board present at the 2001-02 discussions on conditionality, September 2006, October 2006, May 2007.

[xiv] Interviews with two former members of the Executive Board, May 2007.

[xv] Interview with senior IMF staff member, October 20, 2008.

[xvi] Also interviews with senior IMF staff member, and member of the Executive Board, June 2010.

[xvii] It is likely that further study would reveal divisions among staff in their attitude to ambiguity, depending on institutional sub-cultures; in the case of the IMF, recent internal studies have suggested that those staff who began at the Fund mid-career have a more pragmatic institutional culture than those who are hired right out of academia (IEO 2008).

[xviii] This study thus reveals one of the mechanisms through which decoupling between formal policy and informal practice can occur, as an unintended consequence of adopting overly restrictive rule-based policies that must be circumvented in practice. On policy decoupling and organized hypocrisy, see: (Lipson 2007; Weaver 2008)