Pragmatic Numbers: How the IMF Creates Policy Dialogue for Financial Reform

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Abstract

Do international organizations generate benchmarks and data as tools for policy enforcement or as tools of knowledge creation? This paper suggests the latter through a case study on the power of numbers in the International Monetary Fund's (IMF) Financial Sector Assessment Programme (FSAP). While the IMF is typically viewed as an institution that enforces global standards for economic governance through the imposition of quantitative targets ('numbers'), we suggest that its use of benchmarking tools through the generation of financial data actually serves as knowledge creation tool for policy dialogue. As such, the IMF's *program practices* differ from their *policy proclamations* on the need for universal standards and transparency. Seen through a pragmatist lens, as often found in economic sociology, the IMF seeks to generate 'learning by monitoring' with member states within its broader international political and economic constraints. This process must yield to broader principal-agent dynamics in the IMF's governance structure, as well as tip its cap to private market actors. But it is also not hostage to them. We suggest that the IMF's use of 'pragmatic numbers' within FSAPs demonstrates one method by which an institution seeks to foster learning within an environment of noise and domination.

Keywords: International Monetary Fund; Pragmatism; Ambiguity; Financial Reform; Learning; Policy Dialogue.

Introduction

International economic crises require international organizations to respond appropriately lest they lose legitimacy. During the Asian financial crisis of 1997-8, the International Monetary Fund (the IMF) provided loan conditions to East Asian and Southeast states that generated a great deal of ill will. The IMF's role in the 'discursive demolition' of the East Asian model (Hall, 2003) backfired in the aftermath of the crisis as its conditions were widely held to be not only harsh but fighting economic conditions found in the 1980s rather than the 1990s. The image of the IMF's then Managing Director Michel Camdessus peering cross-armed over Indonesian President Suharto while he signed a loan agreement lingered within the region's collective consciousness as an example of bully tactics. Since then a number of scholars have argued that the IMF imposes a 'standard of civilization' (Best, 2006a) and that the IMF represented a 'Wall Street-Treasury-IMF Complex' (Wade and Veneroso, 1998; Wade 2006). Others have suggested that the IMF has embarked on a program to impose 'transparency' and 'ownership' upon its member states that harks back to older arguments on a standard of civilization (Best, 2006a; Abdelal, 2007).

We suggest that such arguments hold water when it comes to the IMF's policy proclamations. However, they become weaker once we investigate the IMF's policy practices and how it seeks to enforce the standards it creates. While the IMF is typically viewed as an institution that enforces global standards for economic governance through the imposition of quantitative targets ('numbers'), we suggest that its use of benchmarking tools through the generation of financial data actually serves as knowledge creation tool for policy dialogue. As such, the IMF's programme practices differ from their policy proclamations on the need for universal standards and transparency. Seen through a pragmatist lens, as often found in economic sociology, the IMF seeks to generate 'learning by monitoring' with member states within its broader international political and economic constraints. This paper investigates this process through a case study on the 'power of numbers' in the International Monetary Fund's (IMF) Financial Sector Assessment Programme (FSAP). We suggest that the pragmatic use of numbers within the process of FSAPs informs us of how the IMF seeks to generate knowledge creation. We argue that the IMF actively promotes *ambiguity* in how the numbers are generated and discussed while its more senior officials stress *transparency* (cf. Best, 2005, 2010). More specifically, we argue that the IMF uses 'pragmatic numbers' as a learning device and to create policy dialogue. In this paper we emphasise how this process is not immune to broader principal-agent dynamics in the IMF's governance structure, but not hostage to them either. The IMF is required to send signals that it is pro-market, which complicates not only its 'organizational personality' (Vetterlein, 2006), but also its capacity to gain the confidence that it will not report poor information on states it is engaged in monitoring or fostering policy dialogue with. We suggest that the IMF's use of 'pragmatic numbers' within FSAPs demonstrates one method by which an institution seeks to foster *ambiguity for learning* within an environment of noise and domination.

The article proceeds as follows: 1. We discuss the IMF's work through the concepts of transparency, ambiguity, and pragmatism; 2. we briefly outline the history and rationale for FSAPs; 3. We draw upon interviews[1] to outline how FSAPs are not dissimilar in function, if not form, from the Open Method of Coordination; and 4. We reflect on the use of pragmatic numbers within FSAPs and how the IMF seeks to foster policy dialogue for financial reform.

1. Ambiguity, Transparency and Pragmatism

Within international political economy much of the literature on the IMF has concentrated on how the IMF constraints borrowing governments through loan conditionality and why the IMF chooses to favour some states over others (Woods and Lombardi 2006; Stone 2008; Gould 2006; cf. Momani, 2005). Within this literature the assumption has been that command structures matter. Principals inform agents of their interests and they act upon them. In some case agents can develop internal cultures in which 'pathologies' can deviate from the principals' interests (Barnett and Finnemore, 2004), and actors can carry ideas and norms into institutions that do not automatically conform to the expectations of the principals (Chwieroth, 2007). For the most part, the IMF is considered to be an institution that responds to the interest of its key members, such as the US, and is a 'rational design' institution, flaws and all (Koremenos, Lipson, and Snidal, 2001).

Within these frameworks the presence or absence of quantitative targets matters. In particular, studies of loan conditionality have stressed how the production of quantitative benchmarks provides a superior means of enforcement of loan conditions compared to 'soft' quantitative targets. For example, Graham Bird (1996, 2002) has stressed the importance of quantitative targets as a means of enforcement, and Eric Gould has demonstrated how 'supplementary financiers' on IMF loans prefer to have clear targets (2006). Yet the FSAP is characterized by 'soft targets' dissembled by the IMF during the FSAP exercise to engage authorities in dialogues, as discussed in the third section of this paper.

The use of quantitative targets is also viewed as a means of enforcing a standard of civilization. Jacqueline Best (2005, 2006b, 2008, 2010) argues that the IMF's push on 'transparency' seeks to enforce a global standard of civilization (see also Larmour, 2006). Best suggests that the marketplace also requested that the IMF impose standards and codes, namely the Report on the Observance of Standards and Codes (ROSCs) that are included within FSAPs, by publishing 'simplified, quantitative measures of compliance' (Best, 2010). Within this narrative, quantitative measures and targets provide a means for standardization and domination. Best's excellent work on transparency and ambiguity is particularly important in thinking through these issues, since she demonstrates how ambiguity provides political space to actors to manoeuvre and interpret commonly agreed standards (see also Seabrooke, 2007). Best (2005) suggests that international systems of monetary and financial governance that are based on ambiguous politics are more likely to be sustained, such as during the heyday of the Bretton Woods system. In particular, Best has highlighted how the

IMF's Articles of Agreement lacked a precise definition of 'fundamental disequilibrium' that provided intersubjective flexibility among states in how this principle was interpreted (Best, 2005: 56, 84). Conversely, international governance regimes based on transparency and universal standards are more likely to restrict choice and suffer from inflexibility during periods of crisis (Best, 2010). Ambiguity can be positively embraced yet key international institutions, such as the IMF, insist on transparency and concepts such as 'ownership' that are a wolf of domination cloaked in cosmopolitan sheep's clothing (Best, 2006b). We agree with Best's broader argument when it is tied to the IMF's policy proclamations. But we do not think that the stress on transparency reflects how IMF staff actually behave when constructing benchmarks and 'numbers' to enhance policy dialogue. We suggest that ambiguity is a key feature of how the IMF staff use numbers within FSAPs.

Our argument builds upon some emerging scholarship on how staff within international organizations behaves in ways that deviate from their explicit governance structures. For example, Kate Weaver's (2008) work on 'hypocrisy traps' in the World Bank has detailed the development of 'Bankese' within the institution and traced in fine detail how staff deviate from their supposed masters in developing policy practices (see also Park, 2005; Park and Vetterlein, 2010). Differently, André Broome and Len Seabrooke (2007, 2008) have suggested that while institutions such as the IMF are commonly criticised for 'one size fits all' policies, archival research demonstrates that they actively work towards 'associational templates' according to the type of economy or by region. Furthermore, they suggest that these templates provide a means for the IMF to provide comparative policy information that is desired by states. Broome (2008, 2010a) has also demonstrated how the IMF's capacity to generate policy knowledge makes it a 'reputational intermediary', especially in cases where the market has weak information about an economy (on reputation see also Sharman, 2008). We suggest that benchmarks and targets, including loan conditions, are often requested by recipient states (Vreeland, 2003). While the stress within the literature is on the external scrutiny of international markets upon governments, policymakers in national settings have clear incentives to acquire comparative policy knowledge from the IMF while also protecting their financial sector to curry favour with local lobby groups (Mosely, 2008). Governments have an interest in talking to the IMF to acquire policy knowledge, even if it permits them to use this knowledge to protect their own regime rather than simply reform their institutions to the IMF's wishes.

We suggest that there is an alternative way to viewing the use of quantitative targets and benchmarks within IMF loan programs and surveillance as tools of domination in the quest for transparency. We put forward the notion that the IMF's use of the FSAP programme may also be seen as a form of pragmatist learning. Drawing from organizational sociology, especially the work of Charles Sabel (2004 2006), we suggest that the IMF uses quantitative benchmarks and targets in a deliberately ambiguous way in a manner that can be associated with the an early form of pragmatic learning.

Work on pragmatism in organizational sociology is concerned with understanding how actors and organizations can learn in the absence of clear command structures that are followed or goal coherence (Sabel, 2006: 132). Pragmatists stress that rather than working while principal-agent dynamics may be at play, the coherence of instructions from principals may be weak, that principals may not know what they are doing, and as such agents are left to their own devices (Widmaier, 2004; cf. Koremenos, Lipson and Snidal, 2001). Agents may also seek to carve out their own autonomy from principals, in part through the development of an internal culture, such as within bureaucracies (Lipsky, 1980; Barnett and Finnemore, 2004). As such, these actors need to find ways of establishing practices for governing, but it in public or private life that can enable target setting and, most importantly, learning. Such behaviour can operate between firms within regional and national settings (Whitford, 2005), or within national and transnational settings (Kristensen and Zeitlin, 2004). It can also be applied to international organizations and the creation of governing practices that are not only more effective and legitimate but also more potentially democratic (Cohen and Sabel, 2005).

There is a parallel between Charles Sabel's (2004) critique of New Public Management (NPM) governance processes that applies to how the IMF runs FSAPs. Within NPM, stress is placed on top-down governing processes which dictate narrow performance goals which are then used to evaluate programme success. The establishment of performance targets leads to less bureaucracy in principle and more focus on generating the right services and information for clients. NPM is also legitimated on the grounds that those receiving the services are empowered through representation to influence the quality of services and information, even if the responsibility for providing a service has been delegated to specialised ministries which operate within their own policy vacuum. NPM ultimately creates results-oriented governance where the conception of goals is effectively removed from their execution, since the practical experience of NPM programs has been that those creating the performance indicators do not incorporate feedback from citizens/customers because it interferes with their specialism (Barzelay, 2001).

Charles Sabel suggests that given the propensity for NPM schemes to fail, new forms of governing should be embraced. This is particularly the case when then goals have not been clearly defined. Sabel suggests that:

> if there are no actors capable of setting goals with the precision needed to guide effective public action, governance reform must attend simultaneously to institutionalizing public or social learning and allocating decision-making rights—rather than assuming, as often is the case now, that learning is automatic when the 'right' constellation of principals is in control (Sabel, 2004, 3-4)

The aim here, then, is to spot how institutions and organizations can learn in 'real time' rather than assuming that either the command structure is both strong and followed, and that presence of the 'right' institutions will lead to optimal results. Sabel (2004) suggests that such forms of 'experimental governance' can potentially be democratic because they encourage processes of deliberation, reasoning, and sense-making, and they actively incorporate very localised information into broader governance processes. The use of peer-review and benchmarking may also potentially encourage democratic deliberation, but experimental governance need not require democratic changes.

Benchmarking within pragmatist scholarship operates as a learning device rather than a tool of enforcement. While benchmarks provide common goals, they are assembled from existing information and then disassembled and rebuilt when new information is found. This search for information is underpinned by the formation of routines in which efforts are made to identify root causes of errors and also to form environments in which actors use reason to solve problems (Sabel, 2006). While benchmarks are commonly assumed to be imposed from above, they can be formed through dialogue. It is worth quoting Charles Sabel at length on this point:

> The process of re-evaluating goals parallels the process of searching out and assessing narrower design choices. Thus the 'center' of the encompassing pragmatist institution—acting on behalf and with the help of representatives of the individual subunits—metaphorically or openly benchmarks its overall objectives, looking for goals 'like' the current ones, but arguably better on some dimension.... Accountable behavior in this setting no longer entails compliance in the sense of rule following, but rather provision of a compelling explanation for choosing, in the light of fresh knowledge, one way of achieving the common (sub) goal over others. At the limit principal–agent accountability gives way to peer review, in which decision makers learn from and correct each other even as they set goals and performance standards for the organization (Sabel, 2006, 135).

Within such a setting, ambiguity plays a positive role in permitting an environment for sense-making of which benchmarks are appropriate, and to improve overall policy knowledge.

How does pragmatist learning apply to the IMF's FSAPs? We suggest that seen through a pragmatist lens, the IMF staff engaged in FSAP spend a great deal of time in trying to create the conditions under which information on a nation's financial sector can be most appropriately discovered. This includes the pragmatic use of quantitative targets, as well as permitting ambiguities about how compliance with seemingly hard benchmarks should be assessed. We do not suggest that FSAP provides a democratic form of governance. But we do suggest that 'pragmatic numbers' are used in FSAPs as tools for a mild form of experimental governance that enhances the IMF's comparative policy knowledge. In this sense, quantitative targets are less a means of enforcement and more a tool for learning, reasoning, and sense-making. We do not suggest that FSAP as a scheme to improve financial stability has been successful according to the mandate it was provided. Indeed on many fronts it has not done well compared to how other networks and international organizations have been able to capture how financial stability problems should be addressed (see Seabrooke and Tsingou, 2009). This is, in large part, because the overall goals and aims set by the principals are removed from the policy practice of FSAPs. While the IMF executive stresses transparency, the staff uses ambiguity and pragmatic numbers to improve their policy knowledge. We suggest that there are also links here to the Open Method of Coordination (OMC) used in European governance. We are not the first to joint these dots (see Schafer, 2006), but stress that the form of policy transfer and learning that FSAP teams engage in is best understood through pragmatic forms of governance. Before outlining these arguments we must situate the origins and purpose of FSAPs.

2. The Financial Sector Assessment Program

The Financial Sector Assessment Program (FSAP) was launched in May 1999 as a joint initiative of the World Bank and the International Monetary Fund (IMF) in response to the financial crisis of the 1997-8. Specifically, the program was built around the twin aims of prevention and cure; greater international cooperation to combat potential crisis situations (or at least reduce their severity) and cross-border contagion which had emerged from the crisis as a particular threat. The program also hoped to promote economic growth by encouraging 'financial system soundness and financial sector diversity' (International Monetary Fund, World Bank, 2005). These aims were to be achieved by conducting thorough analysis of financial sectors in individual countries and then presenting the findings to local authorities.

A 2006 Independent Evaluation Office (IEO) Report identifies the FSAP as the 'principal platform for financial sector diagnosis at the IMF' (IEO, 2006). The program also sought to provide information to the market, where countries permitted, on financial stability with the aim of providing greater market transparency and enhancing the prospects for investment.

The program aimed to be comprehensive by focusing not only on financial sector soundness and performance but also linking findings on the former to broader macroeconomic issues. By concentrating on both development and stability, the program hoped to provide 'consistent' financial advice to countries through a more holistic perspective. Furthermore, along with IMF and WB staff, the FSAP was to employ experts from national authorities and standard setting bodies as well, to ensure a coordinated exercise that would maximise 'scarce expert resources' and prevent a 'duplication of efforts' (International Monetary Fund, World Bank, 2005). For example, as FSAPs include an assessment of external standards not generated by the IMF, such as on banking supervision set by the Basle Committee for Banking Supervision (Tsingou, 2008; Seabrooke, 2006), it is common for FSAP teams to include staff from, for example, the Bank for International Settlements (BIS). Resources are a particular concern for the FSAP with a post-2003 FSAP costing approximately $668,000 on average (IEO, 2006). The management at the program's onset had hoped to conduct 24 FSAPs annually. In 2003 review, this number was revised to 17-19 annual exercises due to constrained resources, which in turn meant that it would take about a decade to conduct FSAPs for the current list of member countries (IEO, 2006). The constraint on resources within FSAPs has placed greater stress on goal-setting and benchmarking in a manner consistent with the discussion of NPM above and also consistent with the notion that the IMF imposes a 'one-size-fits-all' model. However, commands from above do not always translate into how work is actually practiced (Lipsky, 1980, for an ethnography of the IMF see Harper, 1998).

In a formal sense, work between the IMF and WB on FSAPs is coordinated by the Bank-Fund Financial Sector Liaison Committee (FSLC), which has developed the operational procedures for carrying out the exercise and the updates. The operational procedures were outlined as such with certain considerations in mind, amongst which were the following two-- that the FSAP should 'feed into' the annual Article IV consultations by, ideally, ensuring 'close linkages' with IMF surveillance activities and that the WB should also be able to use information generated in the exercise for its programs such as country assessment strategies and social and structural reviews (International Monetary Fund, World Bank, 2005). Indeed, surveillance activity constitutes a large part of what the IMF does as an institution (Pauly, 1997), although discussions over financial stability issues at the Board level have been 'perfunctory' and have at times even missed the 'key issues' of particular FSSAs (IEO, 2006, 45). The committee also decides on the mission chiefs for the exercises and consequently whether the FSAP will be led by a staff member of the WB or the IMF. The IMF however, is responsible for leadership and all FSAP related output in any country which lacks WB presence.

The FSAP procedures guide outlines issues integral to the exercise such as country selection, contact with authorities, preparatory work at headquarters and also FSAP documentation. The process of country selection was refined in 2001 to include certain criteria like a country's systemic importance, its external sector weakness or financial vulnerability, the nature of its exchange rate and monetary regime and its geographic balance among countries (International Monetary Fund, World Bank, 2005). An important aspect of the FSAP however, is that it is voluntary in nature and countries have to initiate the process by first indicating an interest.

Therefore, even though analysis by the Fund and Bank might indicate the strategic importance of conducting an FSAP in a country, nothing can be done unless the country acknowledges such a need. Both a 2003 review and the IEO 2006 evaluation highlight the importance of creating the right 'incentive structure' to ensure that systemically important countries can be convinced to join the exercise and yet both also advocated a continuance of the program's voluntary nature (IEO, 2006, 60). This, of course, could just be an acknowledgement of practical realities because as an official noted, it is not possible even to make the exercise a standard recommendation—the G7, for example, would be held back by the fact that the United States is yet to agree to an FSAP.

The first phase in the FSAP exercise, called 'scoping', is the preparation of a document identifying key issues to be considered under the FSAP and the particular Terms of Reference (TOR), by the mission chief and other team members in conjunction with the relevant (geographic) area departments. The involvement of national authorities at this stage was unclear based on staff interviews—while an interviewee mentioned active involvement to discuss the 'scope' of the FSAP, another stated that it was important to keep this step independent of authorities to have an unbiased assessment. The IEO report discovered that country authorities were somewhat dissatisfied with their level of involvement in the establishment of the TOR and in relation also felt that IMF and WB staff did not spend enough time familiarizing themselves with the particular 'country circumstances' (IEO, 2006). Reflecting this dissatisfaction, one senior official commented that countries often requested that IMF staff on FSAPs should ideally have spent only a short period of time at the institution and were therefore more likely to have skills and ideas that were more likely to relate to private financial markets, and that they were more likely to not be indoctrinated into IMF groupthink.[2] The scoping process is followed by a 2-3 week field mission during which, the team analyses the data made available by local authorities.

At the conclusion of the FSAP, assessments of the observance of financial standards and codes are put together in the ROSC. Yet another document called the Financial Structure Stability Assessment (FSSA) includes issues relevant for IMF surveillance, such as the risk to macroeconomic stability from financial sector and the resilience of the sector in the face of macroeconomic shocks (International Monetary Fund, 2009). The publication of both these documents is also voluntary.

The two main analytical tools of the FSAP are stress tests and 'Financial Soundness Indicators' (FSIs). The FSIs represent the hard quantitative edge within FSAPs and provide a pivot for policy discussions. The development of FSIs, according to the IMF, 'responds to the need for better tools to assess the strengths and vulnerabilities of the financial system' (International Monetary Fund, 2008) and the process began with the development of the FSAP as previous monetary statistics collected by the IMF had not focused on information pertaining to financial soundness and the probable risks (IMF, 2001). Following a meeting with relevant experts in 1999, who recognised that no standard model was in existence which could dictate the indicators needed for this particular sort of analysis, in mid-2000, the IMF conducted the *Survey on the Use, Compilation, and Dissemination of Macroprudential Indicators* (IMF, 2000). The survey asked member countries and regional and international agencies, the types of indicators they needed, the availability of the data, and the standards they used for compiling the data. Based on this, the IMF identified a core set of indicators that countries should compile and an additional list of 'encouraged' FSIs (Jose, Krueger, and Khay, 2008).

In 2004, the IMF published the *Compilation Guide: Financial Soundness Indicators*, which provides countries with major definitions and offers guidance on main concepts and sources and techniques to assist in the compilation and dissemination of 'internally consistent, cross-country comparable sets of indicators' which could be informative about the 'current soundness of the aggregate financial system'. For defining standards on particular issues, the IMF adopted those already in existence and issued by other international bodies such as the Basel Committee on Banking Supervision (IMF, 2006), which raises a number of legitimacy problems. The generation of FSIs easily fits with the perception of the IMF imposing constraints upon states through the insistence on quantitative 'numbers'. We suggest that the actual practice of generating FSIs and FSAPs suggests that the IMF uses these numbers pragmatically within ambiguous frameworks. Rather than transparency and external enforcement by voluntary reporting to the international marketplace, these 'numbers' provide a means for policy discussion and mutual learning.

3. The FSAP and Pragmatic Numbers in Practice: Evidence from Interviews

If FSAP indicators, such as FSIs are soft targets created for dialogue and mutual learning rather than as hard quantitative targets for policy enforcement, then the views that IMF operates according to a rational Principal-Agent dynamics, and that the IMF seeks to impose transparency and a global standard, require some adjustment. Following personal and phone interviews with IMF staff engaged with FSAP, we suggest that the IMF uses 'pragmatic numbers'.

We suggest, like see Armin Schafer (2006), that some IMF practices have more in common with 'soft' horizontal forms of network governance than they do with 'hard' vertical command structures. One form of experimental governance commonly associated with pragmatist learning is the Open Method of Coordination (OMC) within European governance (see, in particular, Sabel and Zeitlin, 2008). The OMC emerged in the 1990s in opposition to concrete legislation or hard law, as 'another strategy of policy intervention started to be considered and experimented with, resting on a complex mix of *soft* institutional ingredients, endowed with a *strong* potential of conditioning the direction of change at the national level' (Ferrera, Matsaganis, & Sacchi, 2002, 227). The key means of permitting the OMC to do this is through the peer review, joint evaluation, and to establish common flexible guidelines.

We do not suggest that FSAPs mirror the OMC, but that the program practice differs from the policy proclamations in ways that suggest strong elements of pragmatic learning. This can be seen not only in staff documents but also in interviews with IMF staff who have been involved in the exercise at one point or other, since the program's conception in 1999. According to an IEO draft, the 'FSAP was initially conceived as a diagnostic and policy advice tool' and was 'designed to work at two levels: (i) confidential advice to country authorities and (ii) peer review' stating further that 'the FSAP's role in linking policy recommendations to effecting policy and institutional changes ... was limited to follow-up work intended to assess and inform on progress' (IEO, 2004).

In its very construction, the FSAP is in effect equivalent to the 'first step' in the OMC during which broader policy goals are established. Although focusing on a particular policy sphere, i.e. finance and economic policy, the FSAP had the specific aim of ensuring a 'systematic assessment and monitoring of financial systems to identify strengths, vulnerabilities and risks' (IEO, 2004). This was to prevent the perpetuation of another crisis, given the reputational damage the IMF faced post-Asian financial crisis, especially because it misdiagnosed the impact of financial liberalisation upon East Asian states (Moschella, 2010).

Two main policy tools were to be employed to achieve this end: stress testing for micro-financial linkages rooted in macroeconomic shocks and FSIs for 'evaluation and monitoring' (Independent Evaluation Office, 2004). The latter could be comprised of indicators which were already in existence and were used by other international organisations like the BIS. However, questions concerning the comparability of FSIs were raised, given that they had been part of the initial design for 'achieving consistent assessments of financial systems across countries' (Independent Evaluation Office, 2004). Our interviewees expressed reservations about such a comparison, citing differences in calculation procedures between countries as the main reason and even going as far as to say cross country comparisons had never been the goal for FSAPs.[3] From our interviews, most staff agreed that the best use of FSIs was in the discussions that they generated with local authorities on the manner in which they had been put together and the general trend that they might depict, when considered in light of figures over a certain number of years. According to an official who has partaken in previous FSAPs, the most important contribution of the figures are 'the questions they raise' about methodology and the processes undertaken by local authorities, adding that local authorities often 'do not know what they [FSIs] are'.[4] IMF FSAP staff highlighted the fact that numbers are in fact a medium for dialogue rather than an end in themselves, he added that 'good mission chiefs do not rely on FSIs' in assessing financial health.[5] FSAP staff use FSIs as a means of gaining information about a country's financial system rather than as a tool for policy enforcement. The ambiguity in the process of generating FSIs permits dialogue between the FSAP team and the country in question. This view was affirmed in our discussions country representations, who stressed that FSAPs are used to acquire comparative policy knowledge.[6]

From our interviews, the reasons cited for countries choosing to undergo the FSAP also shed light on its centrality as a forum for policy dialogue. All interviewees stated that country authorities felt that it was a beneficial process talking to the IMF staff given the 'expertise and knowledge' that they offered.[7] Commenting on the initiative of developing countries, a senior IMF official stated, 'many have a reform process undergoing and an agenda in place and want ratification of their review' by the IMF.[8] This implicitly acknowledges the view of the IMF as a leader in knowledge in the field of economic policy and showcases the similarity of the FSAP to forms of governance that stress pragmatic learning. In this situation the IMF engages in benchmark setting through FSAPs to generate dialogue rather than policy enforcement.

Through the interviews, it became clear that the voluntary nature of the FSAP also contributed to the policy dialogue that follows- IMF staff made out the FSAP to be akin to Technical Assistance, whereby their interactions are primarily with 'technical people... who speak the same language', i.e.—that of quantitative target setting.[8] This, in their view, keeps explicit politics out of the dialogue. Given the potential for public information that can hurt countries' international reputation, interviewees stressed that tensions exist around the wording of the FSAP reports which, based on the wishes of the particular country, may or may not be made public. One official stated the 'tug of war' that ensues between IMF staff and country officials to 'nuance' the wording in the report in view of the impact the publication of the report might have.[9] For the same reason, FSAPs have been criticised for deemphasising the role of international capital markets on a country's financial sector despite the obvious link between financial stability and international financial integration. This is also one key reason on why the market's view of FSAPs has been weak (Seabrooke and Tsingou, 2009). This latter point however, is well understood amongst IMF staff and according to interviewees there has been greater emphasis on exploring these linkages in recent years. However, as stated by a Senior Official, the possibility of this is somewhat limited as sometimes understanding the situation of a country within a regional setting would require not one FSAP but four or five, depending on the deepness of linkages with other countries.

The depoliticisation of policy dialogue through the *ambiguity of numbers* reflects both the IMF's attempts at learning and also relates to broader principal-agent problems that are prominent in the literature on the IMF. For example, one senior IMF official stated the 'Board has asked [us]not to be explicit about rating countries' and that the tone of the reports 'depends on the urgency' of the case.[10]

In the FSAP, while the exercise is to assess the adherence to international standards and codes, IMF officials asserted that the *benchmarks are mere guidelines*, stressing the importance of 'a country specific approach', with one official stating that often 'the more you dig the more differences you find' and that therefore, it is important to take this into consideration when using numbers.[11] According to officials, the IMF does not in itself set any benchmarks prior to the FSAP although in the words of an official, clear benchmarks 'would be an ideal situation'.[12] The IMF does face an additional constraint in how it assesses ROSCs within FSAPs given that most of the standards are created externally within bodies in which most developing countries have no representation. This creates obvious legitimacy problems for the IMF while also providing FSAP staff with greater incentive to develop learning tools through

FSAPs rather than using benchmarks as enforcement tools to partially address this legitimacy deficit.

While differences can be endemic to the financial structures within the country, they can also be a result of the previously mentioned issue of methodology which raises the issue of how the country and the FSAP team communicate over the quality of data provided by countries. Other than just creating a lack of cross-country compatibility FSAP staff stressed the 'burden of interpretation' in data gathering.[13] Such a burden is negative for staff when considering their mandate and resource constraints, which would logically lead to a stronger imposition of external standards. But this has not been the case. Rather, the burden of interpretation reflects the role ambiguity over numbers plays in fostering learning between the FSAP staff and the country officials. Such ambiguity does not come without commitment. As commented to us by one senior IMF staff member, 'it is the country who expressed interest', where the terms of assessment and frame for evaluation are established and that the 'exercise starts with them [countries] taking ownership and that helps with having an open dialogue'.[14] The key question here is the extent to which the generation of FSIs and other quantitative targets reflect rigid external standards, or whether they actually represent 'pragmatic numbers' where the stress is on learning. We suggest that our pragmatic learning argument is a closer fit to the program practice of FSAPs even though the IMF's own policy proclamations stress transparency and universality.

Conclusion

The late-1990s were an important period for the IMF—with the backdrop of the financial crisis and widespread criticism in its dealings with crisis economies, the need for a program that addressed financial soundness issues and the possibility of future crisis was critical. The FSAP, which emerged in the wake of these circumstances, was engineered as a monitoring tool which inevitably harked back to either established or newly constructed 'global' standards. IMF staff identified the uniform approach that was central to the program at its conception but the evolution of the program saw some marked deviations from its original construct. As it became clear through the early years that the numbers that were to be used for evaluation were almost certainly not uniform between states, this rising ambiguity was used to generate policy dialogues that otherwise might have been too overtly political. The voluntary nature of the program, in part by design and in part due to political constraints, further re-enforced the notion of 'soft-targets' that are part of the program. As such, within FSAPs countries are 'advised' to adopt a certain core set of soundness indicators and a few additional indicators are 'recommended'.[15] The fact that countries must initiate the process further legitimises the implicit demands of the program and thereby sets the framework for the dialogue that is to ensue. The deemphasise placed on international capital markets leads to greater stress on understanding domestic systems and providing a platform for mutual learning and discussion via 'pragmatic numbers', such as the determination of Financial Soundness Indicators.

In this paper we have argued that IMF engages in forms of pragmatic learning that are obscured if our focus on the IMF is how staff obey executive commands, or how the IMF's policy proclamations have increasingly stressed transparency. This literature, reviewed above, makes excellent points about the IMF's governance structure. However, we suggest that program practice can differ from policy proclamations. Our interviews with FSAP staff and country representatives stressed how benchmarks and quantitative targets are used as 'soft' tools for policy dialogue rather than 'hard' tools for policy enforcement. Not only is the stress on learning consistent with our interviewees but also from survey responses from countries who have been through FSAPs (IEO, 2006, 45). Almost all authorities acknowledge the benefits of interacting with experts and the knowledge sharing that occurs as a consequence. The impact that the exercise has on policy spheres, be it validation of already existent local priorities as one IMF personnel suggested, or the construction of entirely new debates and norms, is indubitable. In this light 'pragmatic numbers' are used as the basis for a dialogue between similar professionals who are versed in the same language but might come from different settings.

The international financial crisis of 2007-9 has raised many questions about what purpose the IMF serves in the contemporary international political economy and whether or not it should be actively involved in shaping financial sectors (Broome, 2010b). While the IMF is often considered to be an institution which is strongly undermined by the veto power given to the US in its governance structure, a view we strongly agree with, we suggest that its training and surveillance capacities can be enhanced along more decentralised experimentalist governance lines. There is no doubt that the IMF's governance structure does dampen the potential to combine pragmatic learning with more openly democratic forms of governance. However, recognising the potential for policy learning provides an insight into how the IMF can be reformed to help countries improve their institutions and technical capacities in a manner that favours reason and conversation over dogma and compliance.

Notes

1 The Authors conducted interviews at the IMF in September-October 2008 with senior and junior staff at the IMF working on the Financial Sector Assessment Program (FSAP). Additional phone interviews with IMF senior staff were also conducted from April-June 2009. We have noted the rank of the official and month of the discussion when quoting interviewees, but otherwise protect their anonymity as requested.

2 Personal interview with IMF Senior FSAP Official, October 2008.

3 Phone interview with IMF Senior FSAP Official, May 2009.

4 Phone interview with IMF Senior FSAP Official, June 2009.

5 Phone interview with IMF Senior FSAP Official, June 2009.

6 Phone interview with IMF Country Representative, May 2009.

7 Phone interview with IMF Senior FSAP Official, May 2009.

8 Phone interview with IMF Senior FSAP Official, June 2009.

9 Phone interview with IMF Senior FSAP Official, June 2009.

10 Phone interview with IMF Senior FSAP Official, May 2009.

11 Phone interview with IMF Senior FSAP Official, May 2009.

12 Phone interview with IMF Senior FSAP Official, June 2009.

13 Phone interview with IMF Senior FSAP Official, June 2009.

14 Phone interview with IMF Senior FSAP Official, June 2009.

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