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Boards of directors in international organizations: A framework for understanding the dilemmas of institutional design

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Abstract This article develops an analytical framework for studying international organization (IO) boards of directors and applies the framework to a sample of 12 international organizations. It argues that the boards of IOs are asked by their political masters to play four distinct roles: (1) political counterweight, (2) performance police, (3) democratic forum, and (4) strategic thinker. Because there are trade-offs among them, no IO board can play all four roles effectively. Policymakers must therefore choose among them, and they must make choices of institutional design accordingly. The article also shows how in practice, international organizations fall into three governance "models" based on the characteristics of their boards of directors. Each model has a different combination of strengths and weaknesses. The analysis suggests that because trade-offs are inescapable, state actors sometimes willingly surrender a measure of control in order to strengthen other aspects of institutional performance. IO autonomy is often not something that surprises or annoys governments, but rather something that was been built into the institutional design as the result of a conscious trade-off.

Keywords Boards of directors · Executive boards · Institutional design · Governance · Accountability · Democratic deficit

JEL Codes F33 · F53 · F55 · F59

1 Introduction

In the past decade, scholars of international institutions have turned to "rational design" theory in an effort to understand and explain the ample diversity we observe in the structures and rules that govern these institutions. Rejecting the realist position that international institutions are largely inconsequential shadows of state power and

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the constructivist position that they are exogenous players exerting independent force in world politics through their discursive powers, the rational design school accepts both that international institutions are primarily the creatures of states *and* that these entities can be consequential actors in their own right (Koremenos et al. 2001). Because international institutions matter, and because once created they are difficult to change, policymakers ponder, toil, and struggle to shape the design of these institutions. Their struggles, rational design theorists assume, obey standard rationalist principles—self-interest, well-behaved preferences, awareness of others' preferences and constraints, and calculations based on the relative costs and benefits of different courses of action. In short, differences in institutional design are not accidents but the product of conscious, rational choices by state actors.

More recently, rational design theory has inspired a strand of literature that views institutional design choices as attempts to solve principal-agent (P-A) problems. States (the collective principal) delegate power to an international institution (the agent) to tackle specific policy challenges; in the process, state actors design mechanisms to motivate the agent to pursue their interests (Kassim and Menon 2003; Vaubel 2005; Hawkins et al. 2006). Depending on how the P-A problem is managed, some international institutions are tightly controlled by their principals, while others "run wild," acting in ways that run counter to the preferences of the states that created them. This literature concludes that certain mechanisms—many of them similar to those used to keep agents accountable in domestic politics—can be effective in rendering international institutions more accountable to their political masters.

These scholarly debates have unfolded in parallel to discussions in the policy world over the institutional (re-)design of key international organizations (IOs). In the corridors of power in Washington, London, Beijing and other capitals, policymakers have been debating how best to "reform" the governance of the International Monetary Fund, the World Bank, the World Trade Organization, and agencies of the United Nations system, among others (see Sutherland et al. 2004; G20 2005; International Monetary Fund 2008; World Bank 2008). Increasing accountability is a chief concern in these debates, and it is often couched in terms of legitimacy—if an organization is perceived to be unaccountable to the membership, or if it is seen as accountable to some members but not others, its claim to exercise legitimate authority will ring hollow, and countries will disengage and look for alternatives. In addition to accountability, the policy debate is also concerned with other aspects of institutional performance, including an organization's capacity to deliver results, to remain relevant to the needs of its members, and to provide a forum where the voices of all members can be heard.

This article tries to contribute to both debates by making two arguments. First, scholars studying international organizations and policymakers considering how to reform them should pay more attention to the institutional design of their boards of directors. Economists, management scholars, and sociologists have long recognized the crucial role that boards play in the governance of business firms (see, for example, Zaid 1969; Boulton 1978; Johnson et al. 1996; Hermalin and Weisbach 1998; Carter and Lorsch 2003). As the key interface between the firm's shareholders (the principal) and the management (the agent), the board of directors can make the difference between a firm that is managed to maximize shareholder value and a firm that is run to maximize the bank accounts of its top executives, often at the expense of everyone else.

So far, the international relations literature on IO boards of directors has been very rare and mostly descriptive (Hexner 1964). This omission comes at a cost. In many IOs, the board of directors or equivalent body is the central locus where tensions between political control, accountability, technical independence, and global democratic aspirations converge. It is here that the principal-agent problem is most clearly manifested, and where the abstract enterprise of P-A problem-solving meets the practical, nuts-and-bolts imperatives of designing institutional infrastructure. In other words, for policymakers to get a good grasp of the policy dilemmas of institutional design, and for scholars to pursue further the line of inquiry opened by rational design theory, the analytically-informed study of IO boards of directors is necessary.

Second, the article argues that when designing IO boards of directors, policymakers must balance a series of tensions, and the institutional design choices they make reflect a particular position with respect to these trade-offs. Preventing their IO agents from "going rogue" is only one of several factors policymakers consider when making these choices. They also worry about how those elements of control will affect the capacity of the organization to think strategically, to deliver results, and to keep the undemocratic aspects of these institutions within politically acceptable boundaries. Because trade-offs are inescapable, state actors sometimes willingly surrender a measure of control in order to strengthen other aspects of institutional performance. Often, IO autonomy is not something that surprises or annoys governments, but rather something that was been built into the institutional design as the result of a conscious trade-off.

To flesh out these ideas, the article develops an analytical framework for studying IO boards of directors and applies the framework to a sample of 12 international organizations. It suggests that IO boards are asked by their political masters to play four distinct roles: (1) political counterweight, (2) performance police, (3) democratic forum, and (4) strategic thinker. It also argues that certain board characteristics affect the degree to which a board can exercise each of these functions, but because there are trade-offs among them, no IO board can play all four roles effectively. Policymakers must therefore choose among them, and they must make choices of institutional design accordingly. Finally, the article shows how in practice, international organizations fall into three governance "models," based on the characteristics of their boards. Each model has a different combination of strengths and weaknesses.

The article unfolds as follows. The second section introduces IO boards. The third describes the four roles boards are asked to play, identifies the characteristics that affect a board's capacity to perform them, and identifies potential trade-offs. Next, this framework is applied to 12 international organizations, which allows us to sort them into models of governance. The final section draws conclusions relevant for academics and policymakers.

2 Boards of Directors in International Organizations

At least a century ago, governments began to establish international (or more accurately, intergovernmental) organizations to address transnational problems they could not cope with on their own. IOs offered governments several advantages, including a vehicle to engage in sovereignty-sensitive activities such as surveillance and dispute resolution, which require a neutral agent that is more likely to treat all countries equally. They also offered governments a way to participate at arms length in activities such as development assistance and peacekeeping, which necessitate some insulation from domestic politics in order to generate legitimacy and trust (Abbott and Snidal 1998).

Having decided to create these organizations and to delegate power to them, the problem for governments became how to exercise control over these entities, hold them accountable, and prevent abuses of power, all while preserving their capacity to fulfill their mandates effectively (Grant and Keohane 2005). The problem thus became one of institutional design. Many of the most important IOs were given the same basic structure, outlined in Fig. 1.

The highest governing body was usually an assembly or board of governors—a political body in which every member state was given a seat at the table. Because of its unwieldy size or very senior level of representation, this body usually delegated authority to a board of directors or council of ambassadors. The board could be either a plenary body or one limited to a subset of the membership. Some powers were also delegated to a chief executive officer (CEO), variously referred to as director-general, administrator, president, or managing director. The CEO, usually appointed by the board of directors, was put in charge of the day-to-day management

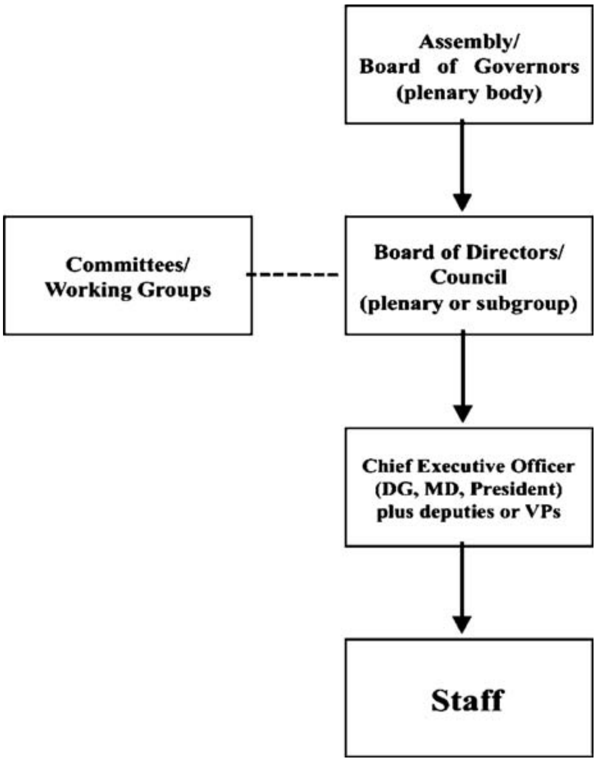

Fig. 1 Typical governance structure of an intergovernmental organization

of the organization, subject to the board's oversight. As head of the organization, the CEO was responsible for managing the staff and its work. In many institutions, the CEO was embedded in a larger management structure, composed of a number of vice-presidents, deputy managing directors, or equivalents.

3 The Roles of IO Boards of Directors

The political masters of international organizations expect IO boards of directors to play four roles. Two of these—I call them "performance police" and "strategic thinker"—are roles that boards play in other organizations, including business firms and non-profit organizations. The other two—labeled here "political counterweight" and "democratic forum"—are particular to international organizations. I describe each, in turn.

3.1 The Board as Political Counterweight

Boards of directors in IOs may serve as a "political counterweight" to the technical decisions made by the organization's management and staff, and as a political check by member governments on the organization's policies and their implementation. This role involves reviewing every staff decision of importance, judging whether these are consistent with the national interest of the country (or countries) that each director represents, and when they are not, taking action to bring them into line. The role of political counterweight assumes that directors act primarily or exclusively with their national interests in mind, as defined by the governments that appointed or elected them. This role comes closest to what scholars have in mind when they think of mechanisms through which a principal controls the agent. Through the political counterweight function, states try to ensure that the organization does not engage in "agency slack."

Recent scholarship has identified conditions under which this can take place. IOs are especially likely to engage in slack when staff members hold preferences that diverge from those of the member states and when voting rules diffuse control among a large number of governments, reducing their capacity to exert tight collective control over the agent (Cortell and Peterson 2006). Scholars studying the European Union have also posited that through repeated interaction at the supranational level, officials of inter-governmental organizations may become "socialized" into adopting the norms and values of a given supranational community, norms and values that may sometimes clash with those of their home countries or at least nudge their home governments to adopt different views of the national interest (Gheciu 2005; Lewis 2005; Hooghe 2005).

For a board to perform this role effectively, it must possess several characteristics. First, board directors must owe their primary allegiance to their national authorities. Board members must have relatively little room to act autonomously from their bosses in their capitals. Frequent turnover and short tenures for board directors help ensure their loyalty to national governments and keep the directors from "going native" and identifying too closely with the organization's interests. To exercise political control, directors must also have adequate access to information about what is happening inside the institution. The board must therefore have a bureaucratic machinery of its own, including a secretariat and advisors who can collect, process, and interpret information regularly. Finally, the board needs to be closely involved in all aspects of the organization's business so it can monitor and intervene at a detailed level when political imperatives demand it.

3.2 The Board as Performance Police

The second role IO boards of directors are asked to play is as "performance police"—as monitor and overseer of whether management and staff are carrying out the organization's mandate in accordance with some standard agreed collectively by the organization's members. In contrast to the political counterweight role, directors make judgments based on performance standards that are set out *ex ante* by the whole membership, rather than on their individual national interest. Indeed, these standards may or may not be compatible with members' national interests at a particular point in time. In this role, the board is responsible for setting the standards against which management's performance will be assessed and ensuring that policies set by the board are implemented fully and in a timely manner. When performance falls short of the benchmark, the board is responsible for taking corrective action.

States require IO boards to function as performance police because international organizations can be inefficient and ineffective for a variety of reasons. IOs often face little competitive pressure. Protected by high barriers to entry into their line of "business," they usually enjoy monopolist- or oligopolist-like positions, enjoying a quiet life where the pressure to innovate and improve the quality and relevance of their outputs is muted (Frey 2008). In addition, as Barnett and Finnemore have pointed out, "the same normative valuation on impersonal, generalized rules that defines bureaucracies and makes them powerful in modern life can also make them unresponsive to their environments, obsessed with their own rules at the expense of primary missions, and ultimately lead to inefficient, self-defeating behavior" (Barnett and Finnemore 1999). Finally, because IOs are often entrusted with multiple objectives and because measuring progress vis-à-vis these objectives is often difficult, policing performance is much tougher than in profit-maximizing business firms, where price-to-earnings and return-on-asset ratios provide simple, transparent indicators of performance. No wonder, then, that member countries see IO boards as mechanisms to keep an eye on institutional performance and reduce the "effectiveness gap."

A board can serve as an effective performance police only if certain institutional conditions are in place. First, responsibilities and actions of the CEO must be distinguishable from those of the board. If the behavior of CEO and board cannot be observed independently of each other, then the lines of accountability become blurred and the board can no longer evaluate the CEO's performance without also passing judgment on its own performance, generating a conflict of interest. Second, performance standards or benchmarks must be established by the board itself or some outside authority. In addition, the board must have sufficient access to information to assess regularly the performance of the CEO and staff. At a minimum, this means reporting requirements for the CEO. Finally, the board must be able to reward or punish management on the basis of performance evaluations, including dismissing the CEO in cases of serious underperformance or personal misconduct.

In the private and non-profit sectors, the performance police role is a fundamental responsibility of boards of directors. CEO evaluation by the board has become central to board activities—for instance, 96% of S&P 500 firms have a formal process to evaluate the CEO's performance and do so on an annual basis (Spencer Stuart 2006a: 7). Eighty percent of non-profit boards in the United States follow the same practice (BoardSource 2004: 9). CEO performance evaluation is no longer just the responsibility of a specialized committee—it is fast becoming a responsibility involving the full board.

3.3 The Board as Strategic Thinker

Boards are also expected to play the role of "strategic thinker," which entails anticipating how the organization's goals and instruments will be affected by changes in the external environment, formulating strategies for adapting the institution to these changes, drawing lessons from experience, and feeding this knowledge back into the organization. In IOs, "strategic thinking" also entails a larger responsibility not relevant to private-sector firms—directors must also ensure that the organization (and the board itself) is functioning effectively as a catalyst for international cooperation.

For a board to play its role as strategic thinker, it must provide an environment that supports frank and constructive deliberation among board directors. In practice, this means relatively small boards. In the private sector, corporate governance experts suggest that boards of directors should have no more than ten members, with twelve as the absolute maximum (Carter and Lorsch 2003: 89–91). Once boards get larger than a dozen members, the quality of participation declines, decision-making becomes cumbersome, free-rider problems increase, and the effectiveness of the board deteriorates. Private-sector firms seem to adhere closely to this principle.[1] The tendency toward small boards is also evident in the non-profit sector.[2]

A board that can formulate strategy effectively also requires a high level of expertise, institutional memory, and experience. This generally means relatively long terms of office for board members and the recruitment of directors with considerable experience.[3] Experts believe that in the private sector, directors should be expected to serve at least two three-year terms (Higgs 2003, 5). The strategic-thinking board should also keep some distance from the day-to-day operations of the organization. If it is submerged in detail, the board will lose sight of strategic priorities and direction. For this reason, corporate boards tend to meet only a few times per year.

[1] Among major US companies (S&P500), the average board size is 10.7; among the UK's top 150 companies, it is 10.8, and among Italian blue-chip companies, the average is 10.7 directors (Spencer Stuart 2006a: 10; 2006b: 5; 2006c: 7). Among the top 50 Japanese companies, average board size is 13 directors (Forbes 2007).

[2] The median board size among the nearly 400 US non-profits participating in a recent survey declined from 17 members in 1994 to 15 in 2004 (BoardSource 2004: 4).

[3] The average board member in an S&P500 firm was 61 years old and in top UK firms, executive directors were 50 and non-executive directors were 57 years old, on average. This suggests work experience of 25–30 years. Directors also tend to stay several years; in top UK firms, the average length of service for non-executive directors as of 2006 was 3.8 years (Spencer Stuart 2006b: 6).

The typical board of a major business corporation meets six to eight times per year (Spencer Stuart 2006a: 21).[4]

Finally, a board that is effective at strategy formulation can benefit greatly from the voices of independent directors. Independent directors are described as figures "free from any business or other relationship which could materially interfere with the exercise of their independent judgment" (Combined Code on Corporate Governance 2006: A.3.2). Their main contribution is to bring an outside, more objective view to the board's deliberations, and to reduce the possibility of conflicts of interest. In the private sector, independent, "non-executive" board directors have become the norm.[5] Independent directors tend to dominate sensitive board committees, especially audit and remuneration committees. In an international organization, an "independent" director would be one that is not a sitting member of a government and who does not represent the national interests of any particular country.

3.4 The Board as Democratic Forum

Finally, an IO board is also called upon to serve as a forum for giving voice to the views of the member countries. In this role, process matters more than outcome—decisions are judged legitimate only if they are arrived at through a process of deliberation in which all voices can be heard and considered. The use of the word "democratic" here does not imply that members necessarily have equal voting or political power, but that they enjoy an equal right to speak and be heard.

The board's role as democratic forum springs from attempts to reconcile the need for international cooperation through supranational institutions with the difficulty of building democratic institutions that are truly accountable to multiple political communities organized as nation-states. Skeptics argue that international organizations cannot be democratic because they give policy elites too much power and the ordinary citizen too few opportunities to participate meaningfully in decision-making. At the same time, the political "community" represented in international organizations is too diverse in its interests, making the idea of the common good highly problematic (Dahl 1999). But while international organizations can never be as democratic as national political institutions, mechanisms can be put in place to reduce the democracy and accountability deficits (Slaughter 2000; Moravcsik 2004; Grant and Keohane 2005; Stutzer and Frey 2005). In this context, boards of directors may serve as vehicles to mitigate the democratic deficit by fostering deliberative and participatory decision-making.

If a board is to perform its role as democratic forum, it must be inclusive—it must have adequate mechanisms for representing, directly or indirectly, the entire membership, and for giving member states a channel to have their voices heard. The board's rules should safeguard the right of all members to participate meaningfully in the body's deliberations and should guarantee that dissenting views

[4] The highest number of meetings reported for an S&P500 corporate board in 2006 was 39.

[5] The shift has been dramatic: in S&P500 firms, the percentage of independent board directors has increased from 27% in 2001 to 81% in 2006. In the UK, some 62% of boards are made up of non-executive directors, nearly all of whom are independent (Spencer Stuart 2006b: 5).

can be expressed and recorded. Board records should accurately reflect the degree of agreement behind decisions, and rules should limit situations in which a minority of the membership can force through a controversial decision with little or no board deliberation.

A board with a one-country-one-vote system most closely conforms to the ideal of a democratic forum. Under an egalitarian voting system, board members can interact as equals, and they are compelled to consider the views of their colleagues (or at least of a majority of them). A board may play this role even if it operates on the basis of weighted voting, but its character as a democratic forum declines as voting power becomes more concentrated. At the extreme, when decisions can be pushed through by only a small fraction of the membership, then the largest vote-holders have few incentives to consider the views of the rest of the membership.

3.5 Trade-Offs

Tensions exist among each of the four roles outlined above, because the characteristics required for a board to perform each of the four roles sometimes conflict. For example, a board that functions as an effective strategic thinker prizes debate, expertise, distance from day-to-day management, and independence, but it sacrifices voice and representation by requiring a lean structure for high-quality discussion and consensus-building. A board that serves effectively as political counterweight values close involvement in day-to-day management and a close relationship between the board and political authorities. All this comes at the expense of independence and the distance necessary to think strategically.

Meanwhile, a board that serves effectively as a democratic forum prizes open debate, voice, and representation, but sacrifices a significant measure of decision-making efficiency. Finally, a board that serves as a good performance police, in its pursuit of institutional accountability, may reduce the political maneuvering room that members require to align the organization's policies with their own national interests.

These tensions among the four roles of the board suggest that no single board can perform all four roles effectively at the same time. Trade-offs are inevitable, and therefore organizations trying to balance effectiveness, efficiency, accountability, and representation must make choices that inevitably strengthen some board roles but weaken others. These trade-offs are explored further in the next section.

3.6 Measuring Board Capacity to Play its Roles

How can we evaluate which roles an organization's board of directors is best equipped to play effectively? It is possible to identify a set of indicators to measure the institutional characteristics necessary to support each role. The proposed indicators and the rationale for their selection are listed in Table 1. These indicators may be used to make judgments about whether international organizations are well structured to perform the four roles outlined above. However, they are not meant to measure actual performance, but only whether institutional characteristics support certain board functions.

Table 1 Indicators for measuring capacity to play board roles

Role of the board	Indicator	Rationale
Political counterweight	Number of single-country directors (or directors of multi-country constituencies in which a single country is dominant) as percent of total	Single-country directors are more likely than multiple-country directors to be influenced by their governments, regardless of whether they are appointed or elected. Therefore, the larger the share of single-country directors, the greater the degree of direct political control by shareholders and the lower the degree of board autonomy.
	Mandated length of directors' term of service	The shorter the term of office, the lower the probability that directors will develop the knowledge and credibility within the institution to operate autonomously from their capitals; also, the lower the probability that directors will "go native" and side more closely with management and staff.
	Actual length of directors' terms of service	Same as previous
	Procedures for removing directors	The more easily directors can be removed, the more sensitive they have to be to the interests of their authorities, and the more closely they will represent the views of their capitals.
	Director qualifications	The more specific are the required qualifications for directors, the more difficult it is for governments to appoint directors purely on the basis of political loyalty.
	Staff size of directors' offices	The more staff and resources directors have, the greater their capacity to gather and process information about the activities of management and staff and the greater degree of control they can have over the organization's business.
	Annual cost of running the board (as a percent of net administrative budget)	Same as previous
Democratic forum	Ratio of board size to total membership	The closer this ratio is to 1, the greater the capacity of any one member to participate directly in board discussions
	If there are multi-country constituencies, average number of countries per constituency	The larger the constituency, the greater are the demands placed on the director's time and resources and the more difficult it is for directors to stay engaged and represent the interests of their countries on the board.

Table 1 (continued)

Role of the board	Indicator	Rationale
	Rotation system in constituencies?	Rotation schemes give countries in constituencies more opportunities for direct representation on the board.
	Voting system (egalitarian or weighted)	The more egalitarian the voting system, the greater the incentives members have to consider the views of their peers.
	Minimum number of countries or board directors needed to secure a majority of the required voting power, as a percentage of total membership or total directors	The larger the required minimum, the greater the incentive members have to consider the views of their peers, as they need their vote to secure a decision.
	Special majorities	The higher the special majorities required for decisions (e.g., 60%, 75%, 85%), the greater the incentive members and directors have to consider the views of their peers.
	Formal voting or consensus?	If the board operates on consensus, the greater the incentive members have to consider the views of their peers.
Strategic thinker	Board size	The smaller the board, the higher the quality of interaction among directors and the more efficient the consensus-building process.
	Meeting frequency	The less frequently the board meets, the farther removed it is from the day-to-day business of the institution, and the better its vantage point for strategic thinking (though at some point, lack of familiarity with the institution becomes a problem).
	Mandated length of directors' term of service	The longer the term of office, the higher the probability that directors will have institutional knowledge and expertise, both necessary for effective strategy formulation.
	Actual length of directors' terms of service	Same as previous
	Director qualifications	The more specific are director qualifications, the greater the probability that directors will be appointed based on merit and expertise.
Performance police	CEO as chairman of the Board?	If the two roles are fused, lines of responsibility become blurred and evaluation of the CEO by the board becomes more difficult.
	Is there a formal process to review CEO's performance?	The Board must have access to information about the CEO's performance to evaluate performance.
	CEO performance standards	The CEO must be aware of the standards by which he/she will be judged.

Table 1 (continued)

Role of the board	Indicator	Rationale
	CEO reporting requirements	Same as previous
	Can the board reward/penalize CEO for his/her performance?	The Board must be able to create incentives for good CEO performance.
	Staff size of directors' offices	The more staff and resources directors have, the greater their capacity to gather and process information about the activities of management and staff.
	Annual cost of running the board (as a percent of net administrative budget)	Same as previous

4 Applying the Framework: Three Models of Governance

What does this framework tell us about how IOs function? In this section, I apply the framework to a dozen international organizations, chosen because they share common activities, especially surveillance and the provision of technical assistance and finance. The sample includes six multilateral development banks (MDBs), including the World Bank. The sample also includes the International Monetary Fund (IMF), the Bank for International Settlements (BIS), and the Organization for Economic Cooperation and Development (OECD). Also included are three IOs that operate in sectors other than international financial and monetary affairs. Two of these—the United Nations Development Program (UNDP) and the World Health Organization (WHO)—perform surveillance and provide technical assistance. The Global Environment Facility (GEF) is slightly different in that most of its financing is disbursed as grants. The full sample is shown in Table 2.[6]

The result of this exercise is that when we apply the framework above, the twelve organizations fall into three categories, or "models" of governance, each with a different configuration of strengths and weaknesses. The three models are (1) delegate-and-control, (2) direct representation, and (3) constituency-based oversight.

4.1 Delegate-and-Control Model

The organizations in this category include both the World Bank and the IMF, as well as major regional development banks—the Inter-American Development Bank (IADB), the African Development Bank (AfDB), the Asian Development Bank

[6] The World Trade Organization (WTO) was not included in the sample because from a governance standpoint, it differs qualitatively from the rest of the organizations studied here. In those organizations, member states delegate significant authority to a board of directors and a CEO. In contrast, the WTO is a "member-driven" organization in which little authority is delegated to the Secretary General and the Secretariat. Instead, nearly all the WTO's councils and committees—including the General Council, which handles WTO's day-to-day operations—are plenary committees, which means that decision-making always involves representatives from each of the 150 members.

Table 2 Sample of IOs

Organization	Policy area	Function		
		Surveillance	Technical assistance	Finance provision
International Monetary Fund	International finance	•	•	•
United Nations Development Program	Development, trade, and investment	•	•	
Organization for Economic Cooperation and Development	Development, trade, and investment	•	•	
World Health Organization	Global health	•	•	
Bank for International Settlements	International finance	•	•	•
World Bank	Development lending		•	•
African Development Bank	Development lending		•	•
Inter-American Development Bank	Development lending		•	•
European Investment Bank	Development lending		•	•
Asian Development Bank	Development lending		•	•
European Bank for Reconstruction and Development	Development lending		•	•
Global Environment Facility	Environmental protection			•

(AsDB), and the European Bank for Reconstruction and Development (EBRD). The pioneers of this model were the architects of the Bretton Woods institutions in the 1940s, but the model was adopted and replicated by the founders of regional development banks in the 1950s and 1960s.[7]

The central feature of this model is that power and representation are delegated to a relatively small "executive" board that exercises close control over the activities of the institution. Specifically, organizations based on the delegate-and-control model have the following characteristics: (1) a compact board of directors (relative to the total membership size) whose members are elected or appointed by member countries, and which meets very frequently; (2) a system in which most members are represented indirectly through multi-country constituencies and share a single director; (3) a CEO who is also chair of the board, and (4) a decision-making system nominally based on "consensus" but underpinned by weighted voting. Table 3 provides key indicators for the six IOs in the sample that fall into this category.

As the name suggests, boards following this model are best equipped to perform the role of political counterweight. Small boards and weighted-voting systems allow for efficient decision-making, and "executive" directors function primarily (and often exclusively) as representatives of their member countries. Communication and relations between directors and their capitals are frequent and close. As members of resident boards, meeting one to three times per week, directors are closely involved in most aspects of their organization's policy and operations. Directors in all MDBs also have their own staff, which increases their capacity to collect and process

[7] For an informative history of multilateral development banks, see Kapur and Webb (1994: 229–250).

Table 3 Indicators for IOs following the delegate-and-control model

	IMF	World Bank	AsDB	AfDB	IADB	EBRD
Membership size (number of countries)	185	185	66	77	47	63
Staff or secretariat size	2,600	10,000	2,000	1,000	1,850	1,570
Size of board of directors	24	24	12	18	16	23
Ratio of board size to total membership	0.13	0.13	0.18	0.24	0.34	0.37
Frequency of board meetings	3/week	2/week	1–2 /week	1/week	2/week	1–2/mo
Annual cost of running the board (as a % of net administrative budget), 2006[a]	6%	3%	7%	n/a	4%	5%[b]
Mandated terms of office for directors	No term limits for appointed EDs; 2-year, renewable terms for elected EDs	No term limits for appointed EDs; 2-year, renewable terms for elected EDs	2 years, renewable	3 years, renewable once	3 years, renewable	3 years, renewable
Voting system	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted
Resident or non-resident board?	Resident	Resident	Resident	Resident	Resident	Resident
Number of single-country chairs as a % of the total	33%	33%	25%	5.5%	12.5%	35%
Average size of multi-country constituencies	10.9	10.9	7.2	4.5	3.8	3.7
Number of countries in largest constituency	24	24	11	9	7	9
Minimum number of countries needed for a simple majority of voting power, as a % of total membership[c]	18.1%	18.1%	41.8%	36.2%	10.6%	9.5%
Minimum number of directors needed for a simple majority of voting power, as a % of total directors[d]	33%	33%	50%	45%	19%	26%
CEO is also chairman of the board?	Yes	Yes	Yes	Yes	Yes	Yes
Performance standards for CEO?	No	No	No	No	No	No

[a] Source: 2006 annual reports for World Bank (IBRD), AsDB, IADB; IMF Budget Office; and author's calculations

[b] Author's estimate. Salaries of executive directors and alternates (€7.5 million) alone accounted for about 3.5% of general administrative expenses in 2006. Assuming an average salary of €50,000 for the staff of 76 that supports the Board, the number would rise to 5% of general administrative expenses. Travel to and from Board meetings is likely a negligible expense

[c] Based on the number of countries represented by the directors with the most voting power; note that at the AsDB and EBRD, directors are allowed to split their vote

[d] Again, note that directors at the AsDB and EBRD can split their vote

information about what is happening in the organization. This level of involvement is reflected in the resources the boards consume as a proportion of the organizations' net administrative costs—between three and seven percent.

Certain characteristics of this model suggest that directors have relatively little autonomy from the countries they represent. Mandated terms of service are short (2 to 3 years), and many directors serve only one term. Qualifications are not specified in the charters or are described only in general terms, typically with the phrase "directors shall be persons of high competence in economic and financial matters." This allows governments wide latitude in terms of whom to send to the board. Also, up to a third of all directors represent only one country, which means that they are likely to be closely controlled by their capitals.

Boards in this category are not well suited to play the role of strategic thinker. While the smaller AsDB and IADB boards may facilitate high-quality interaction among directors, most boards are significantly larger, especially those of the Bretton Woods institutions, with 24 directors. In addition, all of these resident boards are too closely engaged in the day-to-day business of the institution to have good strategic vantage point. Finally, because they are constantly engaged with routine business and are focused on attending to the interests of their governments, directors have little time and freedom to think strategically from the perspective of the institution as a whole.

As democratic forums, boards in this category are also relatively ineffective. Because they are small relative to the overall size of the membership, the voice and voting power of small shareholders is diluted in multi-country constituencies, whose size ranges from 3.7 to 10.9 countries per constituency, on average. With the exception of the EBRD and the AsDB, where vote-splitting is allowed, countries in these constituencies must share a single director, who casts the constituency's votes as a single unit.

Small boards and weighted voting mean that a few large shareholders can exercise considerable influence. Concentration of voting power is most dramatic in the IADB and EBRD, where a majority of total voting power is held by only 10% of the membership (or a fifth and a quarter of directors, respectively). To secure a simple majority in the Bretton Woods institutions requires support from as little as 18% of the membership. By contrast, in the African and Asian development banks, voting power is significantly more diffuse. To be sure, the boards of all of these MDBs operate on the basis of "consensus" and formal voting is rare. However, consensus is still underpinned by voting, and the consent of the largest shareholders is necessary, particularly on controversial issues.

The weakest role of these boards is as performance police. Their charters do not set forth an evaluation mechanism for the CEO, and in practice, none has performance standards for management or a formal evaluation process. This is partly because identifying practical performance measures is difficult, because the actions of the CEO and the board are not easily separable, and because the CEO is in practice not chosen by the board but by political horse-trading among major shareholders.

4.2 Direct Representation Model

Three organizations in the sample adhere to the direct representation model of governance: the European Investment Bank (EIB), the Organization for Economic

Cooperation and Development, and to a lesser extent, the Bank for International Settlements (BIS). Indicators for these organizations are found in Table 4.

Admittedly, these three institutions are very different from each other. The Luxembourg-based EIB is the world's largest multilateral development bank, and it has adopted governance arrangements that vary in significant respects from those of its peers. The OECD is best described as a research organization and an institutional platform supporting an extensive web of technical networks and committees. Finally, the BIS—often called "the central bankers' central bank"—was chartered as a private company and is best known today for its surveillance of the international financial system, its research and standard-setting activities, and its role as a meeting place for central bank governors. These organizations are also

Table 4 Indicators for IOs following the direct representation model

	EIB	OECD	BIS
Membership size (number of countries)	28	30	55
Staff or secretariat size	1,330	2,500	550
Size of board of directors	28	31	21
Ratio of board size to total membership	1.0	1.03	1.0 (founding members only)
Frequency of board meetings	10/year	12/year	6/year
Annual cost of running the board (as a % of net administrative budget), 2006[a]	> 1%	n/a	1.4%
Mandated terms of office for directors	5 years renewable	At the discretion of each government; in practice, ambassadors serve about 3.5 years, on average	6 ex-officio directors are appointed for their terms as central bank governors; the rest are appointed for a renewable 3-year term[b]
Voting system	Double-majority[c]	Simple majority; one country, one vote; QMV for key issues[d]	Simple majority; one vote per board member[e]
Resident or non-resident board?	Non-resident	Resident	Non-resident
Number of chairs representing single countries as a % of the total	96% (one represents the European Commission)	97% (one represents the European Commission)	100%
Average size of multi-country constituencies	No constituencies	No constituencies	No constituencies
Number of countries in largest constituency	No constituencies	No constituencies	No constituencies
Minimum number of countries needed for a simple majority of voting power, as a % of total membership	Not applicable (double majority voting)	Not applicable (one country, one vote, or QMV)	Not applicable (one board member, one vote)

Table 4 (continued)

	EIB	OECD	BIS
Minimum number of directors needed for a simple majority of voting power, as a % of total directors	Not applicable (double majority voting)	Not applicable (one country, one vote, or QMV)	Not applicable (double majority voting)
CEO is also chairman of the board?	Yes	Yes	No
Performance standards for CEO?	No	No	No

[a] Source: 2006 annual reports for EIB and BIS

[b] The Board is composed of six ex-officio directors—the central bank governors of the founding countries (United States, United Kingdom, France, Germany, Italy, and Belgium)—who serve for the duration of their respective terms as central bank governors. Each of them may appoint an alternate to represent them in their absence, and they may also appoint a representative drawn "from finance, industry, or commerce," who serve for a three-year term. Finally, up to nine other directors can be elected to the Board by a two-thirds majority of the shareholding, non-ex-officio central bank governors. Currently, the seven elected governors are from China, Mexico, Canada, Japan, Sweden, Netherlands, and Switzerland

[c] Under the EIB's voting system each director has one vote. Decisions require support from at least one third of members entitled to vote and members who represent at least 50% of subscribed capital. Qualified majority decisions require 18 votes in favor and 68% of the subscribed capital

[d] For difficult cases, the Council has the option of unanimously agreeing to categorize an issue as a "special case," and qualified majority voting (QMV) rules apply. Under QMV, the Council can approve a decision if it is supported by 60% of the member countries, unless opposed by three or more members who represent at least 25% of contributed capital. This effectively gives a veto to the US (which contributes 24.98% of the capital) if it can enlist the support of any two other countries

[e] In practice, this voting scheme gives a controlling majority to the founding members, which are guaranteed a majority by virtue of their ability to fill two seats on the Board each, for a total of 12 of the 21 seats

diverse in terms of their governance arrangements. The EIB and BIS have non-resident boards composed of senior government officials, while the OECD has a Council of resident ambassadors.

But despite their differences, all three organizations share the basic elements of this governance model: (1) a "plenary" board of directors in which all members are directly represented; (2) a board or equivalent that meets only a few times per year, typically monthly or bi-monthly; and (3) voting systems that either rely completely on the principle of one-nation-one-vote or combine it with some form of double-majority voting. The characteristics of the direct representation model weaken somewhat the board's role as political counterweight, especially when compared with the delegate-and-control model.

Meeting once per month at most, these boards are relatively distant from the operations of the institution and leave more of the day-to-day business to the management. This is especially true of the BIS, where the central bank governors who constitute the board come to Basel every two months and have little to do with the management of the institution; this is left to the General Manager, who reports regularly to (and does not chair) the Board. The EIB's Board meets more frequently and takes a more active role in management, but much less so than in other MDBs—indeed, EIB is the only one of these organizations with a non-resident Board. The less intensive engagement of these boards is reflected in the costs of running them—the cost at both EIB and BIS is less than 1.5% of the administrative budget of each institution. The OECD's Council is more involved and considerably more costly. It has resident status and large ambassadorial support staff. However, with monthly meetings, the Council is not nearly as involved as the boards of the IMF or the World Bank.

Perhaps because member states in this model exercise less direct control over the institution at the board level, governments have devised other ways to exert control, usually further down the chain of delegation. The EIB exemplifies this point. At the EIB, the Board is non-resident and relatively removed from day-to-day affairs, and the business of the institution is conducted by a nine-member Management Committee composed of the President and eight vice-presidents. Management Committee members are elected by the Board of Governors, and they represent specific countries or constituencies of countries based on formal nationality requirements.[8] Similarly, the OECD Council meets only on a monthly basis, but national politics penetrate more deeply into the structure. Much of the organization's work is prepared by staff working closely with committees, which are composed of representatives from capitals; government officials from member countries are present at the organization's working level.

Two factors make these organizations better equipped for strategic thinking compared to those following the delegate-and-control model. First, greater distance from day-to-day management allows their boards to focus better on strategic issues. Second, board members stay longer in their posts, which gives them more expertise and institutional knowledge. EIB directors serve renewable five-year terms (in practice, they tend to serve for more than 5 years). The core members of the BIS board (more on what this means below) are elected for the entire duration of their terms as central bank governors, which in practice can exceed a decade, and the elected members of the BIS board have renewable, three-year terms. At the OECD, ambassadors serve at the pleasure of their governments, but in practice, OECD ambassadors remain at their posts for long periods—since the mid-1980s, the average term of an OECD ambassador has been 41.4 months, or almost three and a half years.[9] However, there is a trade-off between direct representation and strategic thinking. At between 21 and 31 members, these boards are too large for efficient decision-making and strategic planning.

At the same time, the boards of these institutions are well suited as democratic forums. In the OECD and EIB, all members are directly represented at the board, and double-majority voting (DMV) schemes magnify the voice of smaller shareholders and protect the members against powerful minorities.[10] Through

[8] Four vice-presidents always come from each of the Bank's four largest shareholders (Germany, France, Italy, and the United Kingdom), and the rest come from specified constituencies, each with its own scheme for regular rotation. In addition, great care is taken to ensure that the nationalities of the Bank's staff reflect the shares of member countries' contributions to the Bank's capital.

[9] Author's calculations based on data provided by the OECD.

[10] The introduction of DMV in these two organizations is particularly important given the large inequalities in the members' financial weight. For instance, at the OECD, two members (Japan and the United States) alone provide some 42% of the total contributions that make up the bulk of the organization's budget. At the EIB, the "big four" (France, Germany, the United Kingdom, and Italy) represent 65% of the Bank's subscribed capital.

DMV, the members hope to keep decision making efficient despite the addition of new board chairs, while preserving a degree of representation and ownership. To date, a double-majority vote has not yet been invoked at either organization, but its existence—and the possibility that a vote might be called—presumably has changed the dynamics of decision making by forcing the biggest financial contributors to take into account the voices of other countries.

The BIS is least well equipped to act as a democratic forum. In practice, the BIS implicitly retains a three-tiered membership structure, with each tier enjoying a different level of representation on its Board. Permanent direct representation (and a majority of the votes) is guaranteed only for the six founding ("ex-officio") members. Countries in a second tier (up to nine) are elected to the Board for three-year renewable terms. The other 38 central banks that are members of the BIS are in a third tier and do not have representation on the Board. The BIS thus fits under the direct-representation model only to the degree that all of its founding members enjoy direct representation.

In terms of policing performance, IOs following the direct representation model are in some respects better positioned than their MDB counterparts to evaluate and judge management's performance, because their lines of accountability are clearer. At the BIS, the separation of the roles of CEO and chairman, complemented by regular reporting by the CEO to the Board, the arms-length involvement of the Board in management, and the seniority of board members, renders the CEO relatively accountable. At the OECD and EIB, the CEO and board chair positions are fused, but the distance of the Council and Board from management makes the actions of the CEO more easily separable from those of the board. However, none of these institutions uses performance standards for the CEO.

The direct representation model makes most sense for "peer group" organizations—IOs with memberships of relatively few, like-minded states. Small peers groups can afford to have everyone represented on the board without risking paralysis. The three organizations just discussed reflect this: their relatively small memberships consist of advanced or transition economies, largely or exclusively from Europe.

4.3 Constituency-Based Oversight Model

This model of governance is common among United Nations agencies with large memberships (more than 170 member states), such as the United Nations Development Program (UNDP) and the World Health Organization (WHO). The Global Environment Facility—a trust fund nested in the World Bank but with its own governance structure—has also adopted it. As in the delegate-and-control model, member states delegate power to a non-plenary board, and members are represented through constituencies. However, these organizations have several distinguishing features: they have (1) boards of directors that are large in absolute terms but small relative to the size of the membership; (2) non-resident boards that meet only two or three times per year; (3) board directors who represent constituencies with rotation schemes; (4) one-nation-one-vote or double-majority voting systems; and (5) separate CEOs and board chairs. Table 5 shows the indicators for the organizations following the constituency-based oversight model.

Table 5 Indicators for IOs following the constituency-based oversight model

	WHO	GEF	UNDP
Membership size (number of countries)	193	177	192
Staff /secretariat size	8,000	60[a]	7,000
Size of board of directors	34	32	36
Ratio of board size to total membership	0.17	0.18	0.19
Frequency of board meetings	2/year	2/year	3/year
Annual cost of running the board	n/a	n/a	n/a
Mandated terms of office for directors	3 years, renewable	3 years, renewable	3 years, renewable
Voting system	One country, one vote[b]	Double majority[c]	One country, one vote[d]
Resident or non-resident board?	Non-resident	Non-resident	Non-resident
Average size of multi-country constituencies	5.6[e]	7.6[f]	5.3[g]
Number of directors representing a single country as a % of the total	0%	31%	0%
Minimum number of countries needed for a simple majority of voting power, as a % of total membership	Not applicable (one country, one vote)	Not applicable (double majority voting)	Not applicable (one country, one vote)
Minimum number of directors needed for a simple majority of voting power, as a % of total directors	Not applicable (one country, one vote)	Not applicable (double majority voting)	Not applicable (one country, one vote)
CEO is also chairman of board?	No	On occasion	No
Performance standards for CEO	No	No	No
Mandated reporting by CEO	No	Yes	No

[a] This number is deceptive because the GEF also has a number of "hidden staff" in the form of contractors hired for project implementation and of people in capitals who work on GEF-related business

[b] Most decisions require only a simple majority, while more critical decisions such as amendments to the Constitution, recommendations influencing the working budget, and changes to the Board Rules of Procedure require a two-thirds majority. In practice, however, the WHO discourages formal voting and consensus-based decisions are typical

[c] Decisions require a 60% majority of the total number of participants and a 60% majority of the total contributions

[d] Decisions require a simple majority of the members present and voting. Since 1994, decisions have always been adopted by consensus

[e] On the WHO Executive Board, seven seats are reserved for Africa, six for the Americas, three for South-East Asia, seven for Europe, five for the Eastern Mediterranean, and four for the Western Pacific

[f] On the GEF Council, 177 countries are divided into 32 constituencies, 18 composed of recipient countries and 14 composed principally of non-recipient countries. Ten constituencies are single-country. The recipient constituencies are distributed to achieve a geographic balance

[g] On the UNDP Board, eight seats are reserved for Africa, seven for Asian and Pacific states, four for Eastern Europe, five for Latin America and the Caribbean, and twelve for Western Europe and other states

How does this governance model affect the board's role as political counterweight? Directors in organizations following this model are non-resident (and are therefore close to their governments), and there is no requirement that they owe their primary loyalty to their IO. Some of these organizations have explicitly recognized that directors are delegates representing their national governments.[11]

Despite the proximity of directors to capitals, several characteristics significantly weaken the political counterweight role of these boards. The institutions' non-resident boards, meeting twice or thrice per year, are too far removed from the day-to-day business of the organization to be able to focus on anything but the most strategic, highest-level issues. Without resident staff or offices, the directors have little capacity to collect or process information about the organization's work. Directors are elected, not appointed by single governments, which weakens the degree of political control that any single capital can exert over them.

Yet, the characteristics that weaken the political counterweight role do not result in a strong strategic-thinking role. At between 32 and 36 directors, these boards are too large to serve as effective forums for strategic thinking. Also, while the official tenures of directors are longer than in the Bretton Woods institutions, turnover is in fact higher because of mandated rotation schemes. This contrasts with the IMF and the World Bank, where a handful of directors tend to stay on for very long tenures and become repositories of institutional knowledge. In practice, the boards in the constituency-based oversight model must rely heavily on the CEO to formulate and propose strategy.

As democratic forums, these boards are more effective at accommodating near-universal memberships than those in the delegate-and-control model. With larger boards and few or no single-country chairs, members are part of smaller constituencies (between 5.3 and 7.6 countries per constituency, compared with 10.9 for the IMF and World Bank). Also, formal rotation schemes provide regional balance and give every member a chance to serve on the board. Most importantly, the one-country-one-vote system of the WHO and UNDP, as well as the double-majority voting system of the GEF, ensure that the voices of all or most members count in decision-making.

Finally, the board's role as performance police is potentially more effective than in the delegate-and-control model. The separation of the CEO and chairman and the arms-length engagement of the board produce clear lines of responsibility, with the board instructing and supervising and the CEO implementing. In practice, however, the IOs do not have a formal process for evaluating the CEO. There are periodic reports by the CEO to the board (the GEF, in particular, requires the Secretariat to report to the Assembly and to the Council), but no performance criteria or formal review process exist.

4.4 Looking Across Models

Summarizing the main characteristics of all three models in a single table (Table 6), we can now compare the relative strengths and weaknesses of the models in terms of the four roles that boards can play. The delegate-and-control model is the strongest when it comes to the board's role as political counterweight, with the direct

[11] For example, since 1998, the WHO explicitly recognized its directors as government representatives, after years of pretending that they served only in their personal capacities and owed their allegiance only to the medical profession. On this point, see Burci and Vignes (2004: 57–58).

Table 6 Rating the roles of boards of directors by governance model

		Role of the board			
		Political counterweight	Democratic forum	Strategic thinker	Performance police
Governance model	Delegate-and-control	Strong	Medium	Weak	Weak
	Direct representation	Medium	Strong	Medium	Medium
	Constituency-based oversight	Weak	Strong	Weak	Medium

representation model in second place. As democratic forums, the direct representation and constituency-based oversight models have the most to offer, though they were conceived for two different membership sizes. In terms of strategic thinking, the direct representation model is the least inadequate. Performance police is not a role that IO boards perform well in general, but among the three models, the least poorly suited for this role are the direct representation and constituency-based oversight models.

5 Conclusion

This article has posited that the boards of directors or equivalent governing bodies of international institutions are asked by the governments that created them to play multiple roles, only some of which are related to monitoring and controlling the agent. Other roles that IO boards must play do not flow directly from the principal-agent relationship and in fact imply a reduction in the degree of control governments may exercise over the day-to-day operations of the organization. This insight is important because it suggests that sometimes principals are willing to surrender some degree of control over the agent in order to strengthen other capabilities such as strategic thinking, which requires being at arms-length from the ordinary business of the organization, or operating as a democratic forum, which requires large but unwieldy boards that by necessity delegate power to management and staff.

Future research could build on this analytical framework in several ways. One line of research could try to explain why policymakers chose a certain governance model and a certain set of board characteristics. Are these institutional design choices related, as Koremenos and others have posited, to characteristics specific to the IOs' issue areas, such as the severity of distribution and enforcement problems or the number and asymmetry of the relevant players? A second strand of research could explore the link between models of governance and actual performance. In practice, do specific IO boards actually exhibit the combination of strong and weak roles that the models suggest? How do these roles affect overall performance and the capacity of IOs to fulfill their mandate?

One insight may be relevant for policymakers trying to reform the governance of international organizations. If policymakers perceive an IO's board to be weak in one or more of the four functions and wish to strengthen them, the framework presented here can be useful in two ways. The framework can help policymakers identify and understand more clearly the trade-offs involved in their institutional design choices, and second, the framework suggests that to strengthen a given board function, policymakers may want to import institutional mechanisms or features from other models, particularly from those in which that board function is stronger. The careful importation and adaptation of these mechanisms could help induce the desired changes in IO performance.

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