The Spread of Bureaucratic Oversight Mechanisms across Intergovernmental Organizations

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The study asks why so many intergovernmental organizations (IGOs) have established recently offices and policies intended to facilitate the oversight of their bureaucracies. It begins from a set of hypotheses derived from the principal-agent (PA) literature, a natural starting point for answering this question. It then considers explanations based on norms and institutional diffusion to offer a more complete explanation of developments. The study argues that the empowerment of democratic norms and institutional diffusion processes across IGOs have altered member-states’ preferences and allowed them to overcome collective action problems involved in the adoption of oversight mechanisms. The hypotheses are tested across more than 70 organizations. The results suggest that arguments extracted from the PA literature and the one on norms allow us to understand which IGOs are more likely to have bureaucratic oversight mechanisms. On the other hand, models that also take into account diffusion processes allow us to understand better when such mechanisms are adopted.

Over the past two decades there have been increased debates involving the “democratic deficit” in European and global intergovernmental organizations (IGOs) (for example, Majone 1998; Dahl 1999; Nye 2001). Due to such debates, and those involving the many corruption and mismanagement scandals in such organizations, IGO bureaucracies have sometimes developed a reputation of rogue international actors that were granted exceptional powers and are now difficult, if not impossible, to control (for example, Six and Sheridan 1995).

Far less attention has been paid, though, to the many bureaucratic oversight mechanisms that emerged in the same IGOs accused of democratic deficits and of penchants for mismanagement and malfeasance (for an exception, see Woods 2003). Organizations as diverse as the United Nations, African Development Bank, and Organization of American States (OAS) have established offices of oversight dealing with internal audits, inspections, investigations and evaluations. While some IGOs have performed some of these functions for some time, in most cases oversight offices have taken on new tasks. In addition, many IGOs also established

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2 For sake of brevity the study will refer to such mechanisms simply as “oversight mechanisms,” implying that they deal with the oversight of IGO bureaucracies.
policies protecting whistleblowers, requiring financial disclosures from officials, or defining conflict of interests. All these offices and policies are intended to improve bureaucratic oversight. This study asks what explains their emergence in IGOs. It implicitly addresses two related sub questions: Which IGOs are more likely to have such mechanisms? When are they more likely to adopt them?

Oversight mechanisms are important, as they save organizations billions of dollars. Moreover, they help improve perceptions of IGOs as effective and legitimate institutions at times when such perceptions are badly needed. Their adoption in the international realm is nevertheless intriguing for at least two reasons. First, many IGO members (in some cases a majority) have not adopted such offices and policies for their domestic institutions. This runs counter to conventional wisdom suggesting that IGOs, which are further removed from public pressures than domestic institutions, are less likely to adopt accountability mechanisms. Secondly, the fact that so many IGOs adopted oversight mechanisms over such a short period (about 15 years) is surprising.

The next section frames these developments within the principal-agent (PA) approach, a natural fit for a study of bureaucratic control mechanisms. This literature studies how domestic political actors (principals) delegate to bureaucracies (agents), and how they then develop controls on bureaucracies’ actions. While the PA approach was applied to IGOs only recently, the literature already offers several testable hypotheses (Nielson and Tierney 2003; Hawkins, Lake, Nielson, and Tierney 2006; Vaubel 2006; Vaubel, Dreher, and Soylu 2007). More specifically, it notes that IGOs feature collective principals (member-states) that together have a single contract with the agent (the IGO’s bureaucracy) (Nielson and Tierney 2003:247). Therefore, decisions to delegate to agents (or to control them) often involve collective action problems. The ability of states to overcome these problems depends primarily on: (i) the divergence of state preferences, and (ii) decision-making rules (Hawkins et al. 2006:23). The study of IGO oversight mechanisms offers an excellent opportunity to test hypotheses based on such arguments.

The PA framework does not make any assumptions regarding actors’ preferences. Rather, it allows preferences to be “filled in” by specific theories (Hawkins et al. 2006:7). The study therefore draws from several bodies of literature explaining member-state preferences with regard to oversight mechanisms. First, existing arguments from the PA literature suggest that material cost-benefit calculations drive such preferences. Drawing from the literature on norms, the study shows that principal preferences are also based on the “logic of appropriateness” and not just the “logic of expected consequences” (March and Olsen 1998). Lastly, by analogy to arguments from the literature on institutional diffusion, the study considers how developments in one IGO impact principals’ preferences in other IGOs.

Overall, the study offers 10 hypotheses regarding the emergence of oversight mechanisms in IGOs. They are extracted either directly from, or by analogy to, arguments offered in the existing PA literature, the one on norms, or on institutional diffusion. The hypotheses are then tested across 73 IGOs. The results suggest that the first IGOs to adopt oversight mechanisms are likely to be ones with large budgets, large financing shares for the most important state, and where decisions are based on weighted voting (and not on unanimity). They also show that IGOs with democratic members are more likely to adopt oversight mechanisms. Yet, in time, the spread of such mechanisms are less affected by these factors and more by interactions among IGOs, through learning processes and norm diffusion.

3 Henceforth the study refers to the literature that applies PA theories to IGOs, rather than the broader PA literature.
This study makes two important contributions. First, by focusing on bureaucratic control, a topic that is important for the PA approach, and by including in the study approximately 50 IGOs that have not been discussed in this literature (and finding support for most hypotheses), we gain greater confidence in the PA arguments as applied to the international realm. Second, it shows that by considering arguments from three different, yet compatible, analytical approaches we are able to offer more complete answers to the initial questions, than if they were based on one single approach. More specifically, by introducing discussions of the dynamics of norm empowerment and institutional diffusion we can explain not only *which* international organizations (IOs) are likely to establish oversight mechanisms but also *when* they are likely to do so.

**The Principal-Agent Literature Applied to IGOs**

The study of oversight mechanisms is a natural place to test PA arguments. The emergence of such mechanisms can be interpreted as a result of states’ interests to control IGO bureaucracies. Principals intentionally design organizations with a degree of independence for agents. But the actions of independent agents can lead to both desired and undesired outcomes for the principals. Control mechanisms such as the ones discussed in this study are intended to reduce undesired independent actions of bureaucracies.

Recent studies suggest that the mechanisms states use to control IGO bureaucracies are very similar to those used by principals to control agents in domestic institutions (Hawkins et al. 2006:26–31). The PA literature offers several fairly straightforward arguments regarding the emergence of such mechanisms. First, it notes that principals need to weigh both costs and benefits of oversight. Indeed, control over agency is costly for principals. It requires that they spend time learning about specific tasks that are delegated to agents and negotiate rules for constraining them. They also require principals to spend time overseeing the functioning of the mechanisms. The material benefits of oversight mechanisms are primarily based on their ability to reduce waste and fraud within IGOs. The literature has implied that such benefits are more likely to outweigh the costs when organizations have large budgets and where the risks for losses are also high (Hawkins et al. 2006:31; Martin 2006:145–147; UN Joint Inspection Unit 2006:38). This leads to a first hypothesis:

**Hypothesis 1:** Intergovernmental organizations with large budgets are more likely to have oversight mechanisms than ones with small budgets.

Yet the PA literature also argues that member-states are not equally eager to apply such controls. There are a few organizations, such as the West African Development Bank, where contributions are spread equally among members. Nonetheless, the vast majority of IGOs are financed according to scales based on members’ wealth. In such cases, a handful of members are responsible for the greatest part of the budget. For instance, in the Organization of American States, the United States contributes more than half of the IGO’s budget. As the financing share of the most important member increases, we expect to see greater principal control over agents, because such members have increased incentives to take initiative and persuade others to adopt controls (Vaubel 2006:132; Vaubel et al. 2007:277).

This argument is supported by the observation that the United States, the largest financer of many IGOs, has generally been the principal promoter of oversight mechanisms. US concerns with waste and fraud led Congress to pass in 1985 the Kassebaum Amendment requiring the UN to adopt major administrative
reforms, or risk loss of US contributions. More recently, the United States was the main actor pushing for the establishment of the Office of Internal Oversight in the United Nations and the Department of Institutional Integrity in the World Bank. This argument suggests that:

**Hypothesis 2:** Intergovernmental organizations with large financing shares for the most important state are more likely to have oversight mechanisms than those where such states have small financing shares.

But the argument also implies that IGOs with many members are less likely to adopt oversight mechanisms. That is because the main contributor to the budget needs to convince more states to adopt such additional controls.\(^4\) This suggests that:

**Hypothesis 3:** Intergovernmental organizations with few members are more likely to have oversight mechanisms than ones with many members.

This argument reminds us that the adoption of control mechanisms is not simply a reflection of preferences of one state (even if it contributes the largest share of the IGO’s budget) and of the number of members. It also depends on the articulation of preferences through voting systems (for example, Nielson and Tierney 2003; Cortell and Peterson 2006).

Such decision-making systems are complex and often, depending on the issue, involve different voting rules for the same IGO. Yet there are two important differences between voting systems that will clearly determine the ability of IGOs to adopt bureaucratic controls. First, if decisions are taken by unanimity, the state with the largest financing share needs to persuade *all* members to vote for such controls. This makes it much more difficult to establish oversight mechanisms than in IGOs where decisions are adopted by various types of majority. Secondly, in IGOs with weighted voting, the states with the largest contributions to the budget, and with the greatest stakes in controlling how funds are spent, also have greater influence in the decision-making processes. Therefore, they have an easier time garnering the necessary votes for the adoption of oversight mechanisms in such IGOs than in those without weighted voting systems. These arguments lead to two more hypotheses:

**Hypothesis 4:** Intergovernmental organizations in which decisions are taken by unanimity are less likely to have oversight mechanisms than ones with majority voting systems.

**Hypothesis 5:** Intergovernmental organizations with weighted voting systems are more likely to have oversight mechanisms than ones without weighted voting systems.

### The Role of Democratic Norms

The adoption of oversight mechanisms is not just based on material cost-benefit calculations of member-states. The emergence of similar mechanisms in the domestic realm is associated with principles of accountability and democratic governance. Their democratic character derives from the fact that they allow bureaucrats to be held accountable by the public (the true principals of

\(^4\) Also, it has been argued that in IGOs with more members there is a higher degree of preference heterogeneity among members. This leads to a reduced likelihood that members will reach an agreement to adopt control mechanisms. See Nielson and Tierney 2003; Hawkins et al. 2006.
democratic systems), albeit indirectly, through elected officials or through those appointed by elected officials (Przeworski, Stokes, and Manin 1999:20).

The literature focusing on oversight mechanisms in domestic institutions emphasizes that bureaucrats can be held accountable “vertically” by top officials from the same institutions, or “horizontally” by those from other institutions (Diamond, Plattner, and Schedler 1999:1–12). Obvious examples of horizontal accountability are the legislative committees dealing with the oversight of bureaucracies from the executive branch of government. Yet top officials and legislators rarely have sufficient time and expertise to conduct thorough oversight of bureaucracies. Democratic systems therefore take “auxiliary precautions” by adopting additional specialized mechanisms of horizontal accountability such as auditing agencies, anticorruption bodies, ombudsmen, and administrative courts. Some consider such mechanisms to be essential for a truly functional democratic polity (O’Donnell 1999:29–52).

The oversight mechanisms discussed here are therefore “appropriate” and not just cost-effective. In domestic systems they were adopted when democratic norms of accountability were strongest, as was the case in the United States after the Watergate scandal (Light 1993:60–61).

In the post-Cold War era, there has been an increased application of democratic norms to the functioning of IGOs, and not just to states. This has been reflected in the aforementioned debates regarding the “democratic deficit” in international institutions and in those surrounding their apparent lack of accountability. Such norms led to important changes in IGOs such as increased participation of NGOs in deliberative processes and greater public access to IGO information (for example, Keohane and Nye 2002; Payne and Samhat 2004; Grigorescu 2007).

It is argued here that the spread of IGO oversight mechanisms is partly due to the application of domestic democratic norms, such as the norm of accountability, to the supranational realm. The link between norms in the domestic and international realms is provided by state representatives. They apply democratic norms that they internalized at the domestic level to the functioning of IGOs. For example, when voting on a new IGO oversight mechanism, state representatives indeed consider the benefits of discovering or deterring cases of mismanagement and malfeasance and the costs of adopting such mechanisms. Yet their preferences are also affected by norms they have internalized at the domestic level. For those socialized in domestic democratic norms, the potential of not holding officials accountable for mistakes may simply be unacceptable, even if the costs of oversight are high. Such norms may tip the balance of the aggregate member-state preferences in favor of adopting the mechanism. If state representatives are not socialized within democratic norms, the initial preferences will not be altered. We expect that:

Hypothesis 6: Intergovernmental organizations with greater proportions of democratic members are more likely to have oversight mechanisms than ones with a small proportion.

Diffusion of Oversight Mechanisms across IGOs

The above hypotheses refer to the likelihood of IGOs having oversight mechanisms (the first sub question of this study), but do not explain when IGOs adopt such mechanisms (the second sub question). The previous discussions offer two types of answers to the latter question.

First, an IGO is more likely to adopt oversight mechanisms when it reaches certain thresholds for its budget, largest financing share, membership, voting system, or strength of democratic norms. A second process conducive to the
adoption of oversight mechanisms emphasizes sudden changes in the above factors rather than their levels. For example, if an IGO’s budget grows gradually, officials will slowly become accustomed to changes and may not perceive the need to adopt oversight mechanisms even if a threshold budget level is reached. On the other hand, certain “shocks” (such as rapid increases in the IGO’s budget that accompany sudden increases in its tasks) may draw their attention to the issue and affect preferences.

These arguments lead to two types of hypotheses for the “dynamic” model explaining the adoption of oversight mechanisms. First, we expect that when IGOs will reach certain levels of their budgets (H1), largest financing share (H2), membership (H3), democratic norms (H6), and when they have weighted voting systems and do not have unanimity voting (H4 and H5), they are more likely to adopt oversight mechanisms than before reaching such levels. In addition, based on H1, we expect:

**Hypothesis 1a:** Intergovernmental organizations that experience large budget increases will be more likely to adopt mechanisms of oversight than those that do not experience increases.

H3 suggests that:

**Hypothesis 3a:** Intergovernmental organizations are less likely to adopt oversight mechanisms after recent increases in their membership.

H6 implies that:

**Hypothesis 6a:** Intergovernmental organizations in which member-states recently experienced an empowerment of democratic norms are more likely to adopt mechanisms of oversight than ones that did not.

As the largest financing shares within each IGO (H2) and the voting systems (H4 and H5) are virtually constant over the past two decades, we do not introduce in the dynamic model variables reflecting changes in these factors.

Yet, the above arguments only consider factors endogenous to IGOs and their member-states as immediate causes of change. This section also considers exogenous factors by drawing from the literature on diffusion, especially as it has been applied to domestic democratic changes.

The democratization literature considers two main types of exogenous factors contributing to changes within states\(^5\): global/macrolevel ones (emphasizing, for example, the fall of the Soviet Union or technological changes allowing more international communications to all states) and state/microlevel ones (primarily emphasizing the impact of developments in one country on another) (O’Loughlin, Ward, Lofdahl, Cohen, Brown, Reilly, Gleditsch, and Shin 1998:548; Wejnert 2005:55–57).

By analogy, we can identify factors outside of individual IGOs that contributed to the emergence of oversight mechanisms. For example, at the global level, the end of the Cold War rivalries led to greater roles for IGOs and, implicitly, to increased spending in such organizations. This, in turn, may have led to the emergence of oversight mechanisms in IGOs. Alternatively, this trend may reflect a greater ability on the part of the United States, the sole remaining superpower, to “export” to international institutions its models of domestic oversight

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\(^5\) For sake of brevity, a third category is not discussed here. The mesolevel (focusing on the role of regional actors such as the European Union [EU]) is considered to have characteristics similar to the global level for the purposes of this study.
(Grigorescu 2008). Yet, such global exogenous factors cannot explain why some IGOs adopted oversight mechanisms and others did not, or why some adopted them sooner than others, both important questions for this study. The exogenous factors that do allow us to offer more complete answers to our initial questions can be found rather at the microlevel and involve processes of diffusion.

The diffusion process discussed here, taking place across IGOs, is dubbed “horizontal diffusion,” in order to distinguish it from “vertical” diffusion processes from states to IGOs. How does horizontal diffusion take place? Some answers can be extracted from analogies to arguments from the literature on diffusion of institutions across states. This literature shows that diffusion is usually spatial in nature. States are more likely to apply models from neighbors than from other parts of the world (see, for example, Starr 1991; O’Loughlin et al. 1998; Starr and Lindborg 2003; Doorenspleet 2004; Wejnert 2005). This is due to greater interaction between individuals from neighboring countries and greater availability of information. Implicitly, demonstration effects and norms travel faster to neighbors than elsewhere.

By analogy, we expect IGOs to be more likely to adopt institutions after IGOs with nearby headquarters already adopted them. In fact, many IGOs have headquarters in the same cities (such as New York, Geneva, Washington, Paris, Vienna, and Brussels). We therefore, should see even more rapid processes of spatial diffusion of institutions across IGOs. Sometimes member-state representatives are assigned simultaneously to multiple IGOs in the same city. They learn from experiences in one IGO and apply them to another. Also, they interact informally with colleagues from organizations headquartered in the same city. When learning of a new oversight mechanism, they may promote it in their own IGO.

The spatial argument for the spread of oversight mechanisms can be formulated in two ways. First, an organization may adopt such mechanism because officials see an example in another IGO in the same city. State representatives’ cost-benefit calculations may not initially support an oversight mechanism in an IGO. Yet, once officials learn of the mechanism’s effectiveness elsewhere, their preferences are altered, tipping the balance toward the adoption of an oversight mechanism in their own organization. For example, when a EU report claims that its new Anti-Fraud Office saves the organization billions of euros (European Anti-Fraud Office 2007a), officials from NATO (also headquartered in Brussels) will hear about the report and may (re)consider the benefits of establishing a similar office. In this type of diffusion, based on the logic of expected consequences, information about just one new oversight mechanism is sufficient to alter preferences.

Alternatively, even if officials are aware of one example of an oversight mechanism, they may conclude that it is not cost-effective for their own organization. They may on the other hand adopt it if they believe that it is “appropriate” to do so. In this case, the adoption of only one mechanism by an IGO from the same city may not impact preferences too much. This second type of diffusion is likely to take place when an increasingly large proportion of IGOs from that city adopt the mechanism and, implicitly, there are greater pressures, based on the logic of appropriateness, for them to accept it. In this case, officials may not be convinced of the material benefits of the mechanism but will adopt it when it becomes “embarrassing” not to have one. The distinction between these two types of diffusion processes was discussed and tested across states (Wejnert 2005). By analogy, we expect similar diffusion processes across IGOs:

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6 To some extent, the study already controls for these two global factors by including an IGO’s budget and the budget share of the largest contributor (usually the United States when it is a member) in the models.
Hypothesis 7: Intergovernmental organizations are more likely to adopt oversight mechanisms if another IGO headquartered in the same city recently adopted such a mechanism.

Hypothesis 8: Intergovernmental organizations are more likely to adopt oversight mechanisms if a large proportion of IGOs headquartered in the same city recently adopted such a mechanism.

Yet other factors, besides geographic proximity, can be conducive to diffusion effects. For example, recent studies show that state preferences are altered through formal interactions within IGOs (Bearce and Bondanella 2007). By analogy, we expect inter-IGO interactions to lead to the diffusion of institutions and norms across IGOs. In other words, the diffusion of oversight mechanism has not only taken place through informal channels, such as those between officials in the same city, but also formal ones, through interactions among officials from IGOs meeting in institutionalized forums.

Indeed, there has been an increase in formal interactions among IGOs. This is in part due to a growing need to coordinate overlapping work of IGOs (for example, Gehring and Oberthur 2006). For example, almost 20 IGOs consult regularly in the International Group for Anti-Corruption Coordination to discuss common investigations, whistleblower policies and, broadly, their experiences with oversight mechanisms. Regional institutions such as the Council of Europe and the EU coordinate their efforts through formal meetings of their officials at multiple levels. Multilateral Development Banks (MDBs) have also been coordinating their work for some time.

Interactions among IGOs in collaborative forums are conducive to demonstration effects and to the spread of norms, analogous to those across states in IGOs. As in the case of spatial diffusion, the processes of diffusion across IGOs involved in formal interactions are the result of mechanisms based both on the logic of expected consequences and the one of appropriateness. For example, officials who take part in such formal meetings may learn about the material benefits of a new oversight mechanism in another IGO they work with. Such demonstration effects, based on the logic of expected consequences, may then alter member-state cost-benefit calculations and tip the balance in favor of adopting the oversight mechanism. Alternatively, even if officials learn of an oversight mechanism in one other IGO they have formal interactions with, they may not believe that the mechanism is “useful” for their own organization. Yet, as more IGOs within their formal forums adopt similar mechanisms, it becomes increasingly embarrassing for them not to adopt one. This second mechanism of diffusion is based on the logic of appropriateness. These arguments lead to two more hypotheses:

Hypothesis 9: An IGO is more likely to adopt oversight mechanisms if another IGO with which it has formal collaborative relations has recently adopted such a mechanism.

Hypothesis 10: An IGO is more likely to adopt oversight mechanisms if a large proportion of IGOs with which it has formal collaborative relations recently adopted such a mechanism.

Tests

The study began by considering all 87 IGOs from the Political Handbook of the World 2007 (Banks, Overstreet, and Muller 2006). IGOs that have not set up
permanent secretariats (for example the G-8 or NAM) were excluded as they do not possess the kind of permanent bureaucracies that this study discusses. In addition, a handful of very small IGOs (with annual budgets of less than $1 million) were excluded from the study. This was based on the argument that very small organizations do not have the financial and human resources to justify establishing oversight units and adopting the policies discussed here (UN Joint Inspection Unit 2006:38). In the end, the study considers 73 organizations.

The hypotheses generate two main types of models. This first helps us understand which IGOs are more likely to have oversight mechanisms. It assesses the impact only of the levels (as opposed to the increases) of the factors in H1 through H6. Models 1 and 2 use independent variables averaged over the period 2001–2007.

Model 1 considers only hypotheses derived from the existing PA literature.

Model 1: \[ \text{OVERSIGHT} = B_0 + B_1 \times \text{BUDGET} + B_2 \times \text{BUDGETSHARE} + B_3 \times \text{MEMBERS} + B_4 \times \text{UNANIMITY} + B_5 \times \text{WEIGHTED} + e \]

Model 2 adds hypotheses based on norms to those in Model 1:

Model 2: \[ \text{OVERSIGHT} = B_0 + B_1 \times \text{BUDGET} + B_2 \times \text{BUDGETSHARE} + B_3 \times \text{MEMBERS} + B_4 \times \text{UNANIMITY} + B_5 \times \text{WEIGHTED} + B_6 \times \text{LDEMOC} + e \]

The dependent variable, OVERSIGHT, reflects the number of oversight mechanisms in an IGO at the end of 2007. The study considers six mechanisms, which were mentioned in the introduction. Three are major oversight tasks that organizations deal with: inspection, evaluation, and investigation. The other three are important policies that facilitate the fulfillment of such tasks: whistleblower policies, conflict of interest policies, and financial disclosure policies. OVERSIGHT can take seven possible values from “0” (an IGO that does not have any of the mechanisms) to “6” (an IGO that adopted all six mechanisms). The coding was based on information from IGO Web sites (especially annual reports) and interviews and correspondence with IGO officials. It also used existing studies of such mechanisms conducted by IGO officials (Fox et al. 2000; UN Joint Inspection Unit 2006; European Anti-Fraud Office 2007b).

BUDGET is the total budget (both for administrative purposes and for external projects) of an IGO. The measure reflects states’ incentives to protect their...
monetary contributions to the organization. BUDGETSHARE is the largest share (in percentages) that a state contributes to the IGO’s budget. MEMBERS is the total number of member-states in the IGO. These three variables were operationalized using data from the Yearbook of International Organizations (Union of International Associations, various years) as well as from IGO Web sites.

UNANIMITY is a dichotomous variable coded “1” for IGOs where decisions are adopted by unanimity and “0” for all others. Similarly, WEIGHTED was coded “1” for IGOs where decisions are adopted by some form of weighted voting and “0” for all others.

LDEMOC reflects the strength of liberal democratic norms in which an IGO’s state representatives were socialized. As mentioned, it is hypothesized that democratic accountability norms travel from states to IGOs through such government officials. LDEMOC is calculated as the percentage of IGO member-states that are rated “Free” in Freedom House (FH) ratings of political rights and civil liberties. By developing clear categories of democratic vs. nondemocratic states, the FH measure has often been preferred to other continuous measures that necessitate that the analyst choose a cutoff point between the two categories (Starr and Lindborg 2003:491). Moreover, the FH measure is a good reflection of liberal democratic practices (and not just institutions) in a country and, implicitly, of the strength of norms. LDEMOC is a continuous variable that can take values from “0” (an IGO where none of the members are democracies) to “100” (an IGO where all members are democracies).

Models 1 and 2 were tested using ordered probit estimates. Of course, these models tell us little about the dynamics of the adoption of oversight mechanisms. Because of that, the study also tested Model 3 that helps us understand when IGOs are likely to adopt such mechanisms. The model describes developments from 1991 to 2007. The timeframe reflects the Post-Cold War era, when the vast majority of mechanisms emerged. In addition, to the factors from Models 1 and 2, Model 3 allows us to test the impact of changes in IGO budget, membership, and levels of democracy (from hypotheses H1, H3, and H6, respectively). As a reminder, the changes in the budget share of the largest contributor and those in voting systems were not included in Model 3 because the variables of H2, H4, and H5 are virtually constant over this timeframe. More importantly, Model 3 allows us to determine the relevance of the diffusion mechanisms described in hypotheses H7–H10, that cannot be tested in Models 1 and 2.

Yet, a model that tests the diffusion of oversight mechanisms needs to focus on only one such mechanism. We do not expect, for example, that the adoption of an evaluation unit in one IGO (and the ensuing increase in the OVERSIGHT measure by a unit) will lead to the adoption of a conflict of interest policy in another IGO. The tests were chosen to reflect the adoption of one of the most important oversight mechanisms: the investigative function. This function is considered essential for oversight. Without such a mechanism allowing for the punishment of individuals involved in wrongdoings, oversight systems are “toothless” (Mulgan 2000).

Model 3 tests hypotheses regarding the role of diffusion mechanisms. H7 and H8 refer to processes of spatial diffusion based on the logic of expected consequences and appropriateness, respectively. The model also tests H9 and H10 referring to mechanisms of diffusion across IGOs engaged in formal collaborations, based on the two different logics of action.

13 The observations for this test were taken every 2 years in order to allow for a more substantial variance for both dependent and independent variables.
Model 3: \( \Delta \text{INVESTIGATIONS} = B_0 + B_1 \times \text{BUDGET} + B_2 \times \text{BUDGETSHARE} \\
+ B_3 \times \text{MEMBERS} + B_4 \times \text{UNANIMITY} \\
+ B_5 \times \text{WEIGHTED} + B_6 \times \text{LDEMOC} \\
+ B_7 \times \Delta \text{BUDGET} + B_8 \times \Delta \text{MEMBERS} \\
+ B_9 \times \Delta \text{LDEMOC} + B_{10} \times \text{INFORMALDIFFUSION}_1 \\
+ B_{11} \times \text{INFORMALDIFFUSION}_2 \\
+ B_{12} \times \text{FORMALDIFFUSION}_1 \\
+ B_{13} \times \text{FORMALDIFFUSION}_2 + \epsilon \)

The dependent variable, \( \Delta \text{INVESTIGATIONS} \) was coded “1” if an IGO adopted an internal investigative function during the period of the observation and “0” if it did not.\(^{14}\) BUDGET, BUDGETSHARE, MEMBERS, UNANIMITY, WEIGHTED, and LDEMOC are the same as in Models 1 and 2. \( \Delta \text{BUDGET}, \Delta \text{MEMBERS}, \) and \( \Delta \text{LDEMOC} \) represent the relative changes (compared to the levels of the previous observation) in the budget, number of members, and strength of liberal democratic norms, respectively, as operationalized in Models 1 and 2.

\( \text{INFORMALDIFFUSION}_1 \) reflects the adoption of the mechanism by at least one other IGO that is headquartered in the same city in the 2-year span immediately preceding the period of the observation. \( \text{INFORMALDIFFUSION}_2 \), reflects the increase in the proportion of other IGOs with headquarters in the same city, that adopted the investigative function in the 2-year span immediately preceding the period of the observation.

\( \text{FORMALDIFFUSION}_1 \) reflects the establishment of an investigative function in at least one IGO that declared in the Yearbook of International Organizations to have a working relationship with a given IGO in the 2-year span immediately preceding the period of the observation. As the relations between such organizations are often not declared as reciprocal, it is difficult to develop a second measure, of the proportion of IGOs within a “group” that have adopted a oversight mechanism, based on such broader understanding of collaboration. For \( \text{FORMALDIFFUSION}_2 \), the study therefore considered only IGOs that declared themselves to be in “special relationships” with each other. Three major groupings of IGOs emerged based on this operationalization: those that are part of the UN “family” (formed around the United Nations), the Multilateral Development Banks (formed around the World Bank) and a group of mostly regional organizations primarily from Europe, but that also included two Latin American organizations (formed around the EU). The Organization for Economic Cooperation and Development (OECD) was included in this third group because, although it is not strictly a European organization, it declares a special relationship with the EU and with other organizations from this group. Conversely, European IGOs in the group declare special relationships with the OECD. Similarly, the Organization for American States and Mercosur were included in this group as they declare special relationships with each other and with the European IGOs in the group.\(^{15}\) \( \text{FORMALDIFFUSION}_2 \) was calculated as the increase in the proportion of other IGOs within the same family of organizations

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\(^{14}\) The measure is based on information from IGO Web sites (especially annual reports) and communications with officials from public information and oversight offices; also Fox et al. 2000; UN Joint Inspection Unit 2006. The lists of participants in the Annual Conferences of International Investigators were also useful starting points for determining the IGOs that have adopted investigative functions. (for example, European Anti-Fraud Office 2007b).

\(^{15}\) Some groupings are similar to those from previous studies discussing IGO “families.” See Shanks, Jacobson, and Kaplan (1996).
that established an internal investigative function in the 2 years immediately before the period of the observation.

Model 3 was tested using binary time-series cross-sectional analysis. For IGOs that adopted an investigative function, we eliminated all observations that came after such adoptions. For example, all observations of the UN after 1993 (the year it established an investigative unit) were excluded. This is because there are no IGOs that eliminated the investigative function, once it was adopted. We assume they would not do so in the future.

Results

The results of the tests for Models 1 and 2 are offered in Table 1. They support most hypotheses. IGOs with large budgets (H1), large financing shares for the most important state (H2), and majority and weighted voting systems (H4 and H5) are more likely to have oversight mechanisms than other IGOs. Interestingly, while the variable reflecting the number of IGO members is significant (both in Model 1 and 2), the coefficient for this variable is positive, suggesting the reverse of H3: IGOs with many members are more likely to have oversight mechanisms than ones with few members. One possible explanation is offered below.

The tests of Model 2 support the arguments related to the strength of democratic norms (H6), even when controlling for the other variables from Model 1. In fact, in Model 2, the variable representing and IGO’s budget is not significant (as in Model 1) when one controls for strength of democratic norms. In other words, there is a significant number of cases where, even though the material interest in establishing oversight mechanisms are weak, member-state representatives have nevertheless established them because it is “appropriate” to do so. This suggests that, indeed, our understanding of the emergence of oversight mechanisms improves by adding such arguments based on norms to the ones

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16 This implies that all observations that follow the adoption of a mechanism are not relevant, as the likelihood that the dependent variable be different than “0” is virtually null.

17 One possible explanation for this result is that democratic states are generally wealthy. IGOs that are made up primarily of democracies, such as the EU or North Atlantic Treaty Organization, are therefore more likely to afford large budgets than those with members that are not democratic (and less wealthy).
based solely on material cost-benefit calculations. This is reflected in the increase in the Pseudo-$R^2$ square from Model 1 to Model 2.

The tests of Model 3 (in Table 2) do not support hypotheses H7 and H8, regarding spatial diffusion processes across IGOs. On the other hand, the variables representing the two types of diffusion processes taking place through formal contacts (FORMALDIFFUSION1, reflecting mechanisms of learning, based on the logic of expected consequences, and FORMALDIFFUSION2, reflecting mechanisms of norm diffusion, based on the logic of appropriateness) are significant predictors of the emergence of oversight mechanisms in IGOs.

It is also relevant to note that the FORMALDIFFUSION variables are significant even when controlling for all other variables that were significant in Models 1 and 2. The lack of significance of other variables in Model 3 suggests that this finding is similar to those from the literature on the diffusion of democracy across states. The democratization literature has noted that domestic factors that were seen as necessary for democracy faded in models where diffusion variables were included (for example, Wejnert 2005:73). Similarly, the relevance of factors from H1 to H6, whether they represented the levels or changes of the variables, faded with the inclusion of variables reflecting the diffusion of oversight mechanisms across IGOs that have formal relations with each other.

These results also suggest an explanation for the finding that IGOs with many members are more likely to have oversight mechanism than ones with few members, contrary to the prediction of H3. They suggest that organizations in the UN family, with virtual universal membership, have influenced each other and adopted oversight mechanisms before many other IGOs. The same is true for MDBs and regional IGOs, both groups with average membership higher than the other IGOs in the study.

### Conclusions

Overall, the tests support existing arguments based on the PA framework, but they also show that, in order to understand better the emergence and spread of oversight mechanisms in IGOs, we also need to consider arguments derived from other bodies of literature. Indeed, principal preferences in IGOs appear to be
driven by increasingly powerful norms of democratic governance and not just by the material factors that the PA literature tends to emphasize. As the oversight mechanisms are seen as improving the accountability of IGOs, the strength of democratic norms is an important predictor of their emergence. In addition, the results suggest the need to distinguish between the processes leading to the emergence of oversight mechanisms in the first few IGOs and the ones driving their subsequent diffusion to other organizations. Model 2 only captures the first process while Model 3 also captures the second one.

The first IGOs to establish oversight mechanisms may have done so independently from developments in other organizations. As the initial set of hypotheses suggests, the first IGOs to adopt them had large budgets (as the UN), principal members contributing particularly large shares of the budget (as in the OAS), decision-making processes based on majority and weighted voting (as in the World Bank), and member-states with powerful democratic norms (as in the EU) or several of these conditions simultaneously present. Yet, once the first such mechanisms were established, their spread took place rapidly through processes of diffusion across IGOs that have formal interactions with each other. Mechanisms such as investigative units spread quickly to many IGOs as state representatives changed their initial preferences due to diffusion processes based on both the logic of expected consequences and the one of appropriateness. The mechanisms were adopted even in IGOs where the underlying conditions of H1–H6 were weak. This explains the intriguing observation, mentioned earlier, that states that do not have domestic oversight mechanisms, have nevertheless adopted such mechanisms in IGOs.

This study used bodies of literature that have been applied traditionally to the domestic realm to explain developments in IGOs. It is important therefore to emphasize a significant difference between the two realms. While proximity is an important factor determining the likelihood that institutions will “travel” across states, it does not appear to have a meaningful impact on the diffusion of oversight mechanisms across IGOs. For example, even though the OAS was the first among IGOs headquartered in Washington to adopt an investigative unit, officials from the three other organizations in that city (the World Bank, the International Monetary Fund, and the Inter-American Development Bank) did not consult on this issue with the OAS later, when they were establishing their own units. This is primarily due to the fact that they had hardly any formal interactions with the OAS. Yet, they did consult with each other through their usual extensive channels for formal collaborations.\textsuperscript{18}

The tests of Model 3 indicate that the variables reflecting diffusion processes across IGO families have the greatest explanatory power among those considered in this study. As in the case of interactions between states in IGOs (Bearce and Bondanella 2007:724–725), both logics of expected consequences and of appropriateness can account for preference convergence across IGOs involved in formal forums.

We need to be careful though in interpreting this finding as the results of diffusion studies are dependent on the period of time one chooses to have between the expected cause (in this case the adoption of oversight mechanisms in one IGO) and the effect (their adoption in another IGO with which the first has a formal working relationship) (O’Loughlin et al. 1998:557–563). In Model 3, we chose a very short time period between observations: 2 years.\textsuperscript{19} Indeed, the tests

\textsuperscript{18} Personal interviews with OAS, World Bank, and IADB officials from their respective offices of oversight, Washington, DC, October–November, 2007.

\textsuperscript{19} The timeframe was chosen based on expectations that a stimulus (internal or external) will take at least two years to translate in the adoption of an oversight mechanism in an IGO, due to relatively slow decision-making processes.
for Model 3 suggest that adoption of oversight mechanisms in one or more IGOs translate quickly (within the 2-year period) into similar adoptions in other IGOs. Yet studies of democratic diffusion across states (which inspired many of the arguments of this research) consider much longer periods of time in which diffusion can take place. They recognize that diffusion processes can take place at different speeds, sometimes over decades rather than years.

Unfortunately, in a study like this, focusing on recent developments taking place over a relatively brief period of time (that is, 16 years), it is difficult to also gauge the significance of slow-moving processes. For example, the lack of significance of the variable $D_{L DEMOC}$, measuring the changes in democratic norms in member-states (and their impact on developments in IGOs) in the tests of Model 3, may be due to the slow and uneven vertical diffusion processes from states to IGOs, compared to the more rapid horizontal diffusion across IGOs. Similarly, with such a short time span we may not be able to capture some of the slow-acting “global” stimuli mentioned earlier. For instance, it is possible that, in order to assess the impact of slow increases in IGO budgets, the study would need to include data on several more decades. After all, the tests of Models 1 and 2 suggest that changes in IGO budgets and democratic levels of members, respectively, should have an impact on the adoption of oversight mechanisms. It is expected therefore that more complete tests of the institutional changes in IGOs will only be possible in the future, when we will have longer timeframes over which we can gauge changes.

References


20 Tests for a 4-year period offered similar results. Tests for a 6-year period did not offer support for any of the hypotheses related to diffusion mechanisms.


