THE POLITICS OF THE WORLD BANK’S
SOCIO-INSTITUTIONAL NEOLIBERALISM

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BA (Honours)

This thesis is presented for the degree of Doctor of Philosophy of Murdoch University

2007
I declare that this thesis is my own account of my research and contains as its main content work which has not previously been submitted for a degree at any tertiary education institution.

[Signature]

Toby Carroll
Abstract

This thesis analyses the so-called post-Washington consensus (PWC) and the role of the World Bank in its promotion and implementation. It argues that the PWC represents the promotion of a new form of neoliberalism – socio-institutional neoliberalism (SIN) – which stems from the conflict and contradiction associated with the Washington consensus based around earlier neoliberal prescriptions such as fiscal discipline, trade liberalisation and privatisation. While seeking the continued extension of liberal markets attempted by proponents of the Washington consensus, SIN rigorously specifies the institutional elements that neoliberals now see markets requiring. It stipulates a particular state form and even allocates roles to specific social institutions. Vitally, SIN is not just about policy content. Indeed, it is an attempt to shape the very environment through which policy can be contested. To this end, SIN includes important delivery devices and political technologies to aid with embedding reform, in an attempt to resolve one of the major problems for the Washington consensus: insufficient progress in reform implementation.

SIN is highly political in terms of its ideological commitments, the policy matrices that these commitments generate and the processes by which the implementation of reform is attempted. As a political programme, SIN seeks nothing less than the embedding of a form of governance that attempts to contain the inevitable clashes associated with the extension of market relations. While this attempt at extending market relations inextricably links the Washington consensus with the PWC, it is the substantive efforts and new methods associated with the latter to deliver and deeply embed policy which make it distinct.

Yet SIN continues to face differing degrees of acceptance and resistance in the underdeveloped world. Here it is essential to consider internal Bank dynamics, relations between the Bank and member countries, and the various alliances and conflicts within these countries and their involvement in either promoting or resisting SIN reform. A feature of this thesis is the analytical framework that allows systematic consideration of these diverse political dynamics. Crucially, the reality of such political dynamics means that there is often a significant gap between what the World Bank promotes and what occurs on the ground.
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Abbreviations

ADB  Asian Development Bank
ASEM  Asia-Europe Meeting
AusAID Australian Agency for International Development
BAPPENAS *Badan Perencanaan dan Pembangunan Nasional* (Indonesian national development agency)
BWP  Bretton Woods Project
CAS  Country Assistance Strategy
CDF  Comprehensive Development Framework
CDP  Country Development Partnership
CDP-E  Country Development Partnership – Environment
CDP-F  Country Development Partnership – Finance and Corporate Competitiveness
CDP-G  Country Development Partnership – Governance
CDP-PAM  Country Development Partnership – Poverty Analysis and Monitoring
CDP-SP  Country Development Partnership – Social Protection
CGI  Consultative Group on Indonesia
CPIA  Country Policy and Institutional Assessment
CSN  Country Strategy Note
CSO  Civil Society Organisation
DGF  Development Gateway Foundation
DOE  Department of Employment (Thailand)
ESAF  Enhanced Structural Adjustment Facility
EU  European Union
GDP  Gross Domestic Product
GMA  Gloria Macapagal-Arroyo
GOI  Government of Indonesia
GTZ  German Technical Cooperation
HIPC  Highly Indebted Poor Country
HPAEs  High Performing Asian Economies
IBRD  International Bank for Reconstruction and Development (World Bank)
IDA  International Development Association (World Bank)
IFC  International Finance Corporation (World Bank)
IFI  International Financial Institution
<table>
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<tr>
<th>Acronym</th>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INFID</td>
<td>International NGO Forum on Indonesian Development</td>
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<td>IPG</td>
<td>International Public Good</td>
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<td>I-PRSP</td>
<td>Interim Poverty Reduction Strategy Paper</td>
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<td>JBIC</td>
<td>Japan Bank for International Cooperation</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>KDC</td>
<td>Knowledge Development Center</td>
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<td>KDP</td>
<td>Kecamatan Development Program</td>
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<td>LGU</td>
<td>Local Government Unit</td>
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<td>LLI</td>
<td>Local Level Institution (studies)</td>
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<td>MCA</td>
<td>Millennium Challenge Account</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MFO</td>
<td>Multilateral Financial Organisation</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency (World Bank)</td>
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<td>MOF</td>
<td>Ministry of Finance (Japan)</td>
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<td>MTPDP</td>
<td>Medium-term Philippine Development Program (Philippines)</td>
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<td>NEDA</td>
<td>National Economic Development Authority (Philippines)</td>
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<td>NGO</td>
<td>Non-governmental Organisation</td>
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<td>NIE</td>
<td>New Institutional Economics</td>
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<td>PAD</td>
<td>Project Appraisal Document</td>
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<td>PID</td>
<td>Project Information Document</td>
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<td>PRGF</td>
<td>Poverty Reduction Growth Strategy</td>
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<td>PRSC</td>
<td>Poverty Reduction Support Credits</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PWC</td>
<td>post-Washington Consensus</td>
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<td>SDN</td>
<td>Social Development Network (World Bank)</td>
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<td>SDU</td>
<td>Social Development Unit (World Bank)</td>
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<td>SIN</td>
<td>Socio-institutional Neoliberalism</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>VIP</td>
<td>Village Infrastructure Project</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>WDR</td>
<td>World Development Report</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Acknowledgements

Despite the often solitary nature of researching and writing a doctoral dissertation, this thesis was not undertaken alone. The support of friends, work colleagues and family throughout my candidature has been essential in helping me to get to the point of submitting the document that you are now holding in your hands. They are mentioned below in name, but deserve much more.

The Asia Research Centre, where I have been based while writing my dissertation, has been an essential part of my working life over the last few years and I am pleased to count many of my work colleagues there as very good friends. In particular, I would like to thank Dr Miyume Tanji, Carolin Liss, Dr Sidney Adams, David Flynn, Shahar Hameiri, Stuart Latter, Dr Ian Wilson, Dr Kathleen Turner and Dr Jaehyon Lee. Importantly, I also owe special thanks to the Centre’s administrative assistant, Tamara Dent, who has assisted me with all manner of issues relating to fieldtrips, conferences, surprise cancelled flight bookings in Manila, and post-it notes. Max Lane, who has now left the Centre, deserves special mention as a great friend and a very important source of support. He has had an indelible effect upon my work and I hope he enjoys reading the result.

In the course of undertaking field work for this thesis in Thailand, the Philippines and Indonesia, I had tremendous assistance and cooperation, beyond the call, from lots of people. Importantly, I am indebted to the villagers, NGO workers, activists, political party members, journalists, public and private sector workers, government officials and World Bank staff that gave up their time to be interviewed for the project. The framework around which this thesis’ contribution is based is simply not possible without the views of these people. Particular mention also needs to go to Wawan, who assisted me so much in such a short time with organising interviews during my second visit to Jakarta. The days that the two of us spent together, stuck in traffic in Jakarta (SMS’ing in taxis from meeting place to meeting place) were well worth it.

Supervisors are critical to any PhD experience. My supervisors, Professor Garry Rodan and Dr Kanishka Jayasuriya have been crucial to the this work long before the work on the project began in earnest. Dr Jayasuriya has not only been incredibly generous with his passing on of literature, but his comments on my work have been critical in developing the dissertation to its current state. Professor Rodan, who has been my principal supervisor, has been essential in the development of my work from an
undergraduate level. His tireless commitment to this thesis has been reassuring during very difficult times. Indeed, I cannot think of a better supervisor for the project that I have undertaken. His own work and indefatigability have been inspiring, and his attention to detail and critical mind have made this document much better than it otherwise would have been. For this, I am beyond grateful.

I am also thankful for the support of my former partner Emma Green and her parents, Jane and Allan. Their support throughout a significant portion of the project was greatly appreciated.

Finally, my parents, Barry and Loretta Carroll were unswerving in their commitment to this project. Their support has been critical throughout the doctoral process. I hope that this thesis gives some recognition to their efforts over the years in assisting me in so many ways, even when times have been incredibly tough.

Toby Carroll,
Perth, Western Australia, February 2007.
Introduction

On January the 3rd, 2005, the World Bank’s ninth president, James Wolfensohn, notified the organisation’s Board of Executive Directors that he would not be seeking to renew his incumbency for a third term.¹ Wolfensohn’s ten years as president of the world’s most significant development organisation had centred around creating a different Bank; one where poverty reduction was at the centre of a new agenda that was to be more comprehensive, country driven and where participation, partnership, ownership and knowledge were to be allocated substantive roles. It also saw an increased interest by the Bank in the role of civil society and the state in development. This marked a shift towards an approach to development that exhibited a very strong focus upon the importance of institutions and their relationship to market establishment and operation. The new direction also entailed the Bank’s own decentralisation, with a stronger focus upon the role of the organisation’s country offices.

Importantly, significant conflict – both internal and external to the organisation – accompanied the Bank’s new approach to the promotion of market-led development. Conflict also preceded Wolfensohn’s tenure. Indeed, the approach he championed emerged in response to conflicts associated with the previously dominant form of orthodox market-led development, most famously described by John Williamson as the ‘Washington consensus’.² When Wolfensohn took over the Bank’s reins in 1995, problems with the early interventions of neoliberalism in Africa, the former Soviet Union, Latin America and elsewhere were exacting a toll on the legitimacy of both neoliberalism and the Bank, as one of its leading proponents. In a book edited for the Bank on the Wolfensohn era, Ruth Kagia notes that:

In 1995 the World Bank was an institution under siege. NGOs criticized its environmental and structural adjustment policies, clients expressed dissatisfaction with its business approach, and the major shareholders showed frustration at its perceived inefficiency. Its 50-year celebrations in 1994

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While the Bank and the neoliberal tenets to which it is wed weathered the storm, neither have escaped unchanged. Market-led development is an evolving project. It has had to adapt to problems in practice – a significant issue for neoliberals being that of reform implementation. It also had to deal with what to its critics were massive contradictions and theoretical lacunae. Here, problems of governance, issues of reform sequencing and the influence of coalitions of rent seekers became common defences of neoliberal proponents in explaining policy failure. New thinking in liberal economic theory, especially that associated with new institutional economics (NIE), increasingly exerted an influence. It especially proved useful in multilateral development circles, underpinning what has now become a complex but rather cohesive campaign to shore up the legitimacy of market-led development.

Crucially, conflict centred around ideological battles and problems in practice associated with the Washington consensus has produced a new and dominant form of neoliberalism – what is referred to in this thesis as ‘socio-institutional neoliberalism’ (SIN). The promotion of SIN as an approach to poverty reduction and development is predominantly associated with the World Bank. In essence, the idea of SIN is to further the project of market-extension into social life. This has potentially massive political ramifications for the state and constituencies within underdeveloped countries where SIN’s proponents seek pervasive influence. If market-led development is an evolving political project, SIN underlines that the politics of that project has entered a qualitatively new phase. This critical point is undervalued in contemporary analyses centred around ‘the post-Washington consensus’. Importantly in this regard, critical assessments give insufficient attention to the fact that what is often described vaguely as the post-Washington consensus is essentially a new form of market-led development that involves new political strategies to deliver both new and old neoliberal content. In short, the purpose of SIN is to extend the discipline of the market and build the institutions the market is now seen as requiring, and this agenda is assisted by new delivery devices and forms of political technology. Such delivery devices can include

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projects and programs. The political technologies involved with these delivery devices often relate to consultation processes, and other methods associated with ‘partnership’ and ‘participation’. Therefore, SIN is political not just by virtue of its policy content but also the mechanisms and methods by which its policies are delivered. These devices and technologies form an important part of what is nothing less than a reframed form of conditionality.

Consequently, this thesis asks which structures and ideologies are promoted through SIN and by what means do its proponents attempt to promote them? However, a no less important question the thesis asks is what political dynamics SIN generates and encounters? Here, one of the thesis’ key tasks is to identify and analyse both the forms of support and opposition that are associated with SIN (as it is promoted by the Bank) and explain their impact and roles within the project. Socio-institutional neoliberals seek nothing less than to shape a new institutional framework through which market reform policies are implemented and justified. Yet, importantly, these frameworks themselves are the subject of political contestation and the thesis seeks to gain an understanding of which groups support and resist such a project and why.

The thesis makes clear that SIN is an ideologically consistent array of policies that has its basis within the methodological individualism of classical economics, where a central emphasis is placed upon the choices of individuals. This influence is coupled with a fairly recent extension to the tenets of classical economics – the insights of NIE. NIE’s influence is reflected in SIN’s concentration on social and political institutions (especially those of the state) and their relationship to market efficiency. Indeed, NIE has led to various new areas of analysis for market-led development. Most notable in this regard, is the attention now given to social and human capital, and the importance more generally of ‘good governance’ – that is, the existence of a particular market-compatible institutional framework.

Crucially, these ideas have generated new projects, programs and approaches for market-led development organisations like the Bank. For example, drawing upon the influence of NIE – where transaction costs and the imperfect allocation of information generate impediments to market activity – projects and programs now attempt to ‘build’ and ‘reshape’ institutions to reduce the cost for market actors. This is in addition to, and seen as complimentary with, the orthodox macroeconomic fundamentals and development infrastructure focus of organisations like the Bank. Indeed, increasingly
these can actually be fused, as the case study in chapter eight on the Kecamatan Development Program (KDP) in Indonesia demonstrates.

However, critically evaluating SIN is not just about identifying its theoretical underpinnings and the obvious elements through which NIE finds expression. A concern with implementation of programs through novel and innovative delivery devices and political technologies, which often have links to NIE, forms the essential political core of SIN. In this thesis, the term ‘delivery devices’ refers to mechanisms such as the Poverty Reduction Strategy Papers (PRSPs), which are intended to carve out a particular policy terrain, or the Country Assistance Strategies (CASs), which are also means by which to shape the policy environment, as well as individual projects. ‘Political technologies’ are those methods used by the Bank to attempt to assist with the further extension of the liberal market and its attendant values into social life. Such technologies are particularly evident in the form of consultation processes and other activities related to ‘partnership’ and ‘participation’ around the Bank’s reform agenda, which attempt to harness support for the project and provide a veneer of inclusiveness. These are designed to harness those coalitions of interests amenable to the project – which perhaps could be understood in SIN parlance as a form of social capital. Interestingly, the very design of these technologies circumscribes the input of those inimical to SIN. Where the Bank pushes such processes it doesn’t have to physically exclude opposition from participating in consultation processes and the like. Indeed, opposition groups often choose to exclude themselves for a myriad of concerns (a point discussed in chapter seven) – many of which speak volumes about the political design of the Bank’s methods. Vitally, SIN’s delivery devices and political technologies work together, with PRSPs and CASs now often including consultation processes and other activities associated with partnership and participation.

What is essential here is that terms like participation and partnership are more than just spurious lingo or clever spin. They are attached to concrete processes that seek the very inclusion of certain elements germane to the extension of the broader political project, while presenting necessary (from the perspective of facilitating the dominance of the paradigm) impediments that curtail the representation of particular interests. They also exhibit the added bonus of presenting an image of legitimate concern for the opinions of interest groups. Again, these political technologies attempt to shape the very terrain around which policy debates occur and reform programs are promoted and contested. In essence, they serve a highly political function, entailing both an agenda
(and norm) setting role, and promoting processes which provide a veneer of legitimacy for market extension projects.

The prominence of delivery devices and political technologies in SIN are important aspects of its depoliticising character. Many of the programs and policies of SIN are couched in technical terms that obfuscate class relations and conflict. This remains very much a political strategy of depoliticisation because many of the programs and policies that are part and parcel of SIN appeal or threaten different interests, with social class being a significant factor in contrasting responses to SIN. This is particularly evident in the assistance and resistance that is channelled towards SIN reforms and policy discussions.

For example, in chapter six a detailed analysis of the World Bank’s role in the privatisation of Manila’s water services illustrates the contentious nature of the reinvention of privatisation (in this case a part-privatisation with a NIE focus upon institutional regulation) and its use within the commodification of the water sector. Here SIN has been pivotal to the constitution of a market in water services and delivery. But the constitution of this market, far from being apolitical, reflects an underlying set of class interests that seek to benefit from these programs. In the push to privatise Manila’s water services, international and domestic capital variously worked in conflict and combination, battling it out in an attempt to secure profit making opportunities. These interests were supported by the Philippine government’s free market predisposition, the World Bank’s advice and investment and the Western governments where many of the international bidders for the privatisation came from. But as the analysis of the chapter makes clear, such interests are often in opposition to that of the general public in the underdeveloped world – who in the majority are poor. Furthermore, the Manila case demonstrates the difficulties (after implementing SIN reform) associated with regulating powerful interests who can eschew their obligations and, in the case of the Philippines, demand concessions outside those allowed by contracts. This leaves the state with the prospect of picking up the bundle and bailing out commercial entities.

Such developments expose the shortcomings of the apolitical assumptions of NIE that underpin SIN. Questions about the nature of transaction costs and their implications for market operation give way to questions about efficiency of what and for whom – in essence, questions about politics and especially socio-economic politics. In this way, politics matters both for the Bank’s approach to implementation and its
outcomes for the Filipino public whose access to fundamental public services is now constrained by the unequal outcomes of the commodification of a public utility: water.

The questions of efficiency of what and for whom are pertinent also to the political use of particular technologies to assist with the implementation of SIN. For example, participation and partnership (the thematic bases for chapter seven and an analysis of the Philippines Country Assistance Strategy) are, of course, now ubiquitous words in World Bank material – not to mention agencies that take much of their agenda from the organisation. In traditional parlance, both words at least imply the representation of interests and the inevitability of mutual compromise – perhaps for one particular party more than another. But participation as used by the World Bank tends to entail a circumscription of representation, presenting no evidence of compromise on the part of the organisation over the content of what is to be participated in or partnered. Vitally, participation and partnership suggest a political strategy of depoliticisation that attempts to marginalise representative politics.

In this respect, participation and partnership processes are important elements in an array of methods and devices which contribute to the approach being essentially anti-pluralist. These processes are a fundamental part of an attempt to harness the support of those congenial with SIN objectives, presenting its proponents with an opportunity both to assess implementing conditions for its policy content and, simultaneously, to set a highly defined agenda. The rigidity of both the processes and the agenda associated with SIN, oriented as they are to the task of implementation, can actually alienate and dissuade the participation of those who are critical of it. This raises serious questions about the Bank’s agenda, its implementation and the importance of the participatory involvement of people broadly affected by poverty and the Bank’s work (given its institutional mandate in relation to poverty reduction).

Similar issues of depoliticisation are raised when we examine the more innovative and even radical (by neoliberal standards) delivery programs for poverty reduction that have appeared within the SIN framework. One such case, the Kecamatan Development Program (KDP) in Indonesia, forms the basis for the case study in chapter eight. While the KDP has been a successful program in terms of implementation of reforms and the construction of infrastructure it remains a concern that such debt-based schemes, which attempt to facilitate liberal market-led development in desperate economies, have not necessarily proven themselves as ‘silver bullets’ for poverty. Indeed, given the lack of emphasis in reversing larger structural impediments to
development, such programs may just be another element, to quote Paul Cammack, in promoting ‘the proletarianisation of the world’s poor’. In this way, the KDP is an example of how SIN targets problems at certain levels (for instance local governance) and attempts to extend market discipline (along with transparency and accountability) while depoliticising what could be seen as the more central issues associated with class and the contradictions of global capitalism more generally.

The thesis presents an analytical framework that allows us to both explain and critically evaluate SIN as well as to determine who supports it, who resists it and why. Far from being apolitical, SIN is an intensely political project. Crucially, the thesis extends beyond contemporary analyses of the PWC to emphasise a new form of neoliberalism that includes its own delivery devices and political technology. These are intended to curtail political impediments to reform, harness supporting coalitions and carve out a particular political space to aid with delivery of a particular institutional framework. Seen from this perspective the PWC is not just a new set of polices to be advocated (as it is conceived by former World Bank Chief Economist Joseph Stiglitz) nor ‘old wine in new bottles’ (a phrase which sums up many of the critical takes on the PWC). The framework outlined in the thesis analyses SIN as a set of prescriptions, delivery devices and political technologies that are meant to extend market discipline further upon the underdeveloped world. What is important here is that SIN’s political technologies are meant to depoliticise issues of class and inequality precisely to further policies that have real impacts upon class relations and material distribution.

**Methodology**

The investigation of SIN presented in this thesis employs a qualitative methodology which draws upon both primary and secondary research materials. The primary research material was derived from interviews conducted in Indonesia, the Philippines and, to a lesser extent, Thailand, during two separate field trips to each of the countries, over approximately nine weeks in 2005. Interviews in each of the three countries were conducted with strategically selected World Bank staff, past and present government personnel (national and local), consultants, people from non-governmental organisations (NGOs), political parties, trade unions, academia and villagers. The

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5 The secondary research material was largely drawn from a wide array of academic, organisational and media sources.
fieldwork undertaken was strategically focused largely within the capitals of each country. This said, visits to several villages in West Java (Indonesia), a province north of Bangkok (Thailand) and to Cebu (in the Philippines) were also undertaken to source information relevant to the individual programs and projects analysed in each particular setting.

The case study chapters (chapters six, seven and eight) are thematically based, with each one drawing upon a particular theme (or themes) within SIN. Certain projects, programs and operations were chosen for these chapters for their potential to highlight each theme ‘in action’. The process of selecting particular activities of the Bank to study was by no means an easy one. Indeed, given the time-based nature of projects, the departure of staff and the limits of coordinating such factors within a manageable research project, decisions had to be made fairly early on about which elements within the Bank’s work would serve to be points of analysis in the three final case study chapters. In total, the three core case studies within the thesis intentionally focus upon seemingly different examples of the Bank’s work: a water privatisation project, a CAS and a social development project. Here, the point of selecting a diverse range of elements to focus upon was to demonstrate the utility of a framework, based around SIN, capable of identifying and explaining points of intersection and divergence in both the institutional features of SIN reforms and the varying approaches to delivery associated with them.

Subsequently, the privatisation of Manila’s water supply was chosen as a case study (chapter six) because it presented an example of ‘knowledge dissemination’ – that is a new approach to delivering fairly old reform content (privatisation). However, the reform content itself is also relevant to an examination of SIN, demonstrating some of the shifts that have occurred within the Bank’s work, especially the strong emphasis upon public-private partnerships and the NIE-underpinned concerns associated with institutional regulation. Likewise, in chapter seven, the 2006-08 CAS for the Philippines was selected to be the basis for an analysis of the Bank’s use and integration of participation and partnership in its country programs. Indeed, the CAS presents an excellent opportunity to look at participation and partnership in two distinct, yet related, ways. Firstly, given that consultation processes were used by the Bank in developing

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6 Other projects, such as the Country Development Partnerships (CDPs) in Thailand, feed into the analysis in a more minor way. The significant inclusion of the CDPs as a case study in the thesis was not implemented due to the decision to make each of the thematic-based studies focused on one individual project or program. This said, the material from Thailand compliments the overall argument of the thesis well and will hopefully appear in a published version of the manuscript.
the CAS, it is possible to look at the relationship between participation and the development of a blueprint for a Bank country program. Secondly, looking at the resulting program itself, we can see the manner in which participation and partnership actually are allocated critical roles in implementing the CAS. Finally, the basis of the case study for the last chapter (the KDP) was chosen because it presented an example of SIN’s empowerment and institutional foci *en masse*, that had received considerable attention as a positive and different approach to development for the Bank. Importantly, taken together, the three ostensibly divergent elements within the Bank’s work present excellent cases in which to understand SIN’s form as it exists on the ground, allowing a demonstration of the utility of the framework developed in the thesis.

Interviewing a range of people within the Bank’s country offices was obviously crucial for the case studies, especially in chapters seven and eight, where primary source material was critical to their respective analyses. Subsequently, Bank staff closely aligned with particular projects and programs were particularly important interviewees. The information sought in interviews with Bank staff related to understanding the motivations behind different projects and programs, in addition to the politics, both within and external to the Bank, associated with their implementation and maintenance. Here, questions about the relationships between sectors within the Bank and between the Bank and government or relevant groups and sections within society were of particular interest.

Many prospective interviewees were identified and contacted (both inside and outside of the Bank) leading up to and throughout the course of the fieldwork. Outside of the Bank interviews were focused predominantly upon people form NGOs, journalists, unions, members of academia and others that were interested (for one reason or another) or involved in the Bank’s work. Speaking to people outside (albeit, to greatly varying degrees) of the Bank was seen as critical to the various case studies for

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7 Unfortunately, interviewing people within such organisations is often not the norm for those who write about them in academia. Several Bank staff reiterated their considerable concern that while they were sympathetic with criticism leveled at the Bank from academia they felt that many academics had no idea (or at least displayed little evidence) of a developed understanding for the conditions that Bank staffers faced, within the organisation and outside of it.

8 This said, some of the people met with were recommended by interviewees and others along the way. Throughout my two field trips I spoke to many people as part of my research, although only a relatively small amount of these conversations are directly referenced in the final text (predominantly in chapters seven and eight). To place a numerical figure on the numbers of people interviewed and met with that were relevant to the study is difficult. However, reflecting upon my notes I would estimate that a core of just over thirty interviews and meetings (not including meetings with villagers, where larger amounts of people were met with in one setting) stand out as important in one way or another to the fieldwork-centred case studies of chapters seven and eight and the thesis overall.
different reasons. For example, the analysis in chapter seven required gaining an understanding (from both Bank and non-Bank elements) of the nature of participation and partnership involved in the Bank’s work. Here, I was particularly interested in understanding why some groups chose to work with the Bank while others saw it as highly problematic. Furthermore, where groups did work or interact with the Bank, I was interested in understanding the degree of participation and partnership that was involved in the relationship, in addition to the nature of the relationship more generally. Similarly, in chapter eight, the perspectives of many of the aforementioned people were critical given the role that they have played in relation to implementing KDP. Outside voices that were not directly involved with implementing the project, but in some instances were affected by it, also yielded important information, both on the project and on the Bank’s work more generally.

Overall, the interviews were specifically aimed at unpacking the historical and political dimensions of specific Bank operations on the ground and shedding light upon the political alliances and conflicts integral to SIN reform and its prospects. Central to this was attaining an understanding of the actual processes associated with the different elements of the Bank’s work, from the design stage right through to implementation, that could explain its seemingly multifaceted complexion and, in turn, extend our understanding of what the PWC actually is. Further to this, the interviews were intended to yield important insights from people outside the Bank, who were either involved in the implementation of or resistance to SIN (or who were potentially impacted by it positively or negatively), to better illustrate the precise political nature of the Bank’s work.
Chapter 1

Contending Understandings of the New Development Agenda

In January 1998, Joseph Stiglitz (then Chief Economist of the World Bank) presented a picture at the World Institute for Development Economics Research (WIDER) Annual Lecture, of what, in his words, ‘...is sometimes called the post-Washington consensus.’9 Entitled ‘More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus’, much of the content promoted in the lecture was to be associated with a now-dominant project that would draw Stiglitz, in particular, plenty of criticism – especially from the more orthodox proponents of neoliberalism. For Stiglitz, the post-Washington consensus was a new collection of ideas derived from a set of assumptions associated with new institutional economics (NIE) – one branch of which he had played an important role in developing. In March of 1998, at the Tenth Anniversary of the MITI Research Institute in Tokyo, he presented a paper: ‘Redefining the State – What should it do? How should it do it? And how should these decisions be made?’10 Later the same year, he followed up with another lecture – the prestigious Prebisch Lecture in Geneva – entitled ‘Towards a New Paradigm for Development: Strategies, Policies and Processes’.11 Both of these continued and expanded upon the themes articulated in his WIDER lecture.

With these seminal contributions, Stiglitz in effect embarked on a concerted campaign to add impetus to the emerging push to substantively reshape the market-led development agenda.12 This was seemingly juxtaposed by Stiglitz against the preference

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for policies such as privatisation, liberalised trade, a competitive exchange rate and fiscal discipline of the so-called Washington consensus – a term coined by the economist John Williamson to describe a discernible consensus emanating from Washington around a particular policy set advocated for Latin America in the 1980s.13

Although Stiglitz was still heavily-wedded to neoliberalism, there were, however, important differences between the agenda that he was promoting and the Washington consensus. Furthermore, a distinction needs to be made between what he was advocating and what has panned out. In part this is because political reality has meant that the realisation of his agenda has not been as true to his vision as he might have hoped, not to mention the fact (as we will see) that many of the important elements associated with the actual-existing post-Washington consensus (PWC) were actually pushed from within the World Bank prior to his arrival at the organisation. Nevertheless, he is inextricably associated with the development and consolidation of the new development agenda. His vociferousness while Chief Economist at the Bank, his criticism of the Bank’s sister organisation – the International Monetary Fund (IMF) – and his now infamous departure from the Bank, garnered him substantive attention. Undoubtedly, orthodox neoliberals like former World Bank Chief Economist and US Treasury Secretary, Lawrence Summers, were less enamoured with some of Stiglitz’s proposals and ideas and saw him as a major thorn in the side.14 Likewise, unorthodox critics of the PWC honed in on Stiglitz as the most important figure associated with reshaping the development agenda. Their arguments were commonly technocratic-left appraisals of Stiglitz’s ideas and the prescriptions these entailed, often asserting that he was doing little more than reselling and/or adding on to the Washington consensus – from which he seemed to be at pains to distance himself. Meanwhile, the perception of Stiglitz as some sort of radical led to him gaining some interesting support from neoliberal critics who saw him as someone attacking neoliberalism from the inside, especially after the Asian crisis.15

However, in many ways, Stiglitz’s proximity to the new development agenda (understood here as synonymous with the PWC) has complicated analyses of it –

14 This is detailed in the following chapter.
15 Ha-Joon Chang’s title for his collection of some of Stiglitz’s important speeches Joseph Stiglitz and the World Bank: the Rebel Within (cited above), is one obvious example of Stiglitz being portrayed as a radical inside the halls of orthodoxy.
especially critical ones.\textsuperscript{16} Indeed, much of the critical and non-critical coverage accorded to the PWC often suggests that it is little more than Stiglitz and his ideas. Focusing upon Stiglitz and conflating his ideas with the PWC has been to the detriment of analyses of the actually-existing PWC, or more specifically, the PWC in practice. Importantly, the PWC in practice stems from a variety of theoretical and politico-historical lineages (which includes, but is not limited to, the work and influence of Stiglitz). Notably, many of the new development agenda’s key elements, such as emphases upon partnership, participation and a stronger role for the state, predate Stiglitz’s influence at the Bank significantly (as the next chapter makes clear).

Crucially, however, the conception of the PWC which Stiglitz has promoted is a broad blueprint to be promoted rather than an analytical conceptualisation or framework that can assist us in understanding the new development agenda as it actually exists. This may seem an obvious point. However, looking at much of the critical literature, the two are often confused. Indeed, it seems as though it is often assumed by supporters and critics alike that the PWC is little more than Stiglitz’s ideas put into action (plus the efforts of Wolfensohn and others), and or little more than ‘old wine in new bottles’ – that is old content (from the Washington consensus), presented in a different way.

The key point of this chapter, which sets up the rationale for the thesis, is that none of the current analyses of what is referred to as the PWC do justice to an understanding of the new development agenda actually in practice and the politics that are associated with this project. The inadequacy of contemporary analyses of the PWC generates a demand for a qualitatively different framework, which details a precise appreciation of exactly what processes are associated with attempting to translate the new development agenda’s prescriptions into reality. This entails moving beyond engaging with prescriptive content and looking at the politics of implementation – a vitally important element of the actually-existing PWC.

Accordingly, this chapter first reviews the existing literature relating to the PWC to demonstrate the need for a new framework. The alternative framework presented in the thesis is premised upon seeing neoliberalism as a political process, and understanding the PWC in practice as neoliberalism in its latest and most sophisticated – that is complex – form. In particular, it is argued that the concept of socio-institutional neoliberalism (SIN), which refers to the form of neoliberalism associated with the

\textsuperscript{16} This thesis uses the term ‘new development agenda’ and the ‘post-Washington consensus interchangeably. However, the thesis sets its conception of the PWC against both present orthodox and critical definitions of it.
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PWC, is essential to such a framework. Crucially, SIN is not simply seen as the product of particular individuals (such as Stiglitz). Indeed, it SIN is seen as the result of conflict and contradiction associated with earlier forms of neoliberalism.

Furthermore, the framework based around SIN allows us to comprehend the influence of NIE within the PWC’s prescriptive content and the utility of particular delivery devices and political technologies to assist with the embedding of neoliberalism. Yet, more than this, the framework also reveals that SIN is a political project that attempts to organise sources of support, and which encounters and engenders both conflict and resistance. The subsequent chapters of the thesis, and in particular the case studies, further demonstrate the utility of such an approach over existing analyses.

The ‘Stiglitzian Post-Washington consensus’ and its limited analytical utility

One of the core reasons for requiring a new framework through which to analyse the new development agenda is that within the critical literature there is a propensity to look at easily identifiable material such as that associated with Stiglitz and Wolfensohn, or the Bank’s annual World Development Report, as demonstrative of it. While much of this work is of significant utility and engages with substantive policy issues as well as specific prescriptive content associated with the PWC, what is missing is a comprehensive analytical framework through which the diverse elements of the new development agenda, in practice, can be knitted together and understood as a set of processes and mechanisms to embed liberal markets.

In developing such an analytical framework, it is essential to bear in mind that the pronouncements of Stiglitz, and even the Bank through particular reports or on its website, don’t tell us a great deal about what occurs in practice and the politics of implementing the PWC at the country and local level. While excellent case studies on elements within the PWC have been done, these too need to be situated in an overall framework to illustrate the broader political project that they are part of and the politics that this project both generates and encounters. A framework of analysis that makes up for these inadequacies can reveal much about the way in which power, at different levels, influences the ideas and prescriptions associated with a political project like the PWC. It can also reveal much about the actual impact that such ideas and projects end up having and why. Indeed, such a framework presents us with a better understanding

17 See, for example, the section below on critical analyses of the PWC and elements of it.
of the new development agenda and the manner in which neoliberalism has evolved beyond the simple prescriptions that it is most commonly associated with, both in the minds of its supporters and critics, to concentrate heavily upon policy implementation.

In order to underline the analytical foundations of this framework, this section looks at the conceptualisation of the PWC by Stiglitz (who can be credited with the strongest advocacy of a particular conception of it and who, subsequently, has been most strongly focused upon by PWC critics). It argues that it is inadequate to equate ‘Stiglitz’s PWC’ with the new development agenda in practice and leads critics to engage with the ideas and prescriptions promoted by him rather than present an analysis of the PWC in action. This is not to say Stiglitz hasn’t been influential upon the formation of the new paradigm in development practice – he has been extremely influential. However, what he has promoted – what he has called the ‘new development strategy’ and ‘new paradigm for development’ – has at times been confused, at least implicitly, with the PWC as an actually-attempted project. This diverts analyses from understanding the very processes and mechanisms by which the PWC actually manifests itself and, subsequently, prohibits an understanding of why this occurs.

We should also remember, however, that while Stiglitz has been held up as a high-profile critic of the IMF and orthodox neoliberal economics (what he has called ‘market fundamentalism’), his academic work and indeed the ideas and prescriptions to which he is associated are still very much elements within neoliberalism. However, rather than problematically equating him with the PWC or seeing him as a radical outside of neoliberalism (which he is not), it is essential to see exactly which of his ideas have been taken up and how these relate to the form of neoliberalism described here as SIN. Interestingly, as we will see later, it is those elements of his work, or modifications thereof, that are most easily reconciled with the more orthodox proponents of neoliberalism that have been influential beyond his tenure at the Bank.

Despite Stiglitz engaging with the Washington consensus, the title of his WIDER lecture (‘More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus’), and the lecture itself signal that his conception of the PWC remains firmly neoliberal: focused on making ‘markets work well’. Here, Stiglitz emphasised the importance of elements such as regulation, competition and

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18 Stiglitz, ‘Towards a New Paradigm for Development’, 58. It is perhaps important that I am clear here that I am in no way suggesting that people are saying that Stiglitz came up with the PWC, rather, that what he has promoted is often confused with it.

19 See for example, Joseph Stiglitz, Globalization and its Discontents (Victoria: Penguin, 2002), 58.
transparency as important areas neglected by the Washington consensus. Stiglitz contends here and elsewhere that some of the policies of the Washington consensus were misguided, which is no doubt part of what has led some to conclude that his contributions are more radical than they actually are. Yet, a careful reading of the lecture demonstrates a thematic affinity with the Washington consensus, especially in regard to its emphasis upon general market extension. Indeed, the key difference between ‘Stiglitz’s PWC’ and the Washington consensus is the way in which the market is extended (institutionally) – not market extension per se.

Actually, for Stiglitz, many of the fundamental liberal assumptions about the benefit of markets are not problematic. Rather, his conception of the PWC is about how best to embed (extend) liberal markets and achieve liberal market efficiency. Here, the basic prescriptive emphasis is on the regulatory requirements of capitalism and the ‘role of the state’. A great deal of concern is also given to ‘the process of financial reform’. Stiglitz’s primary push is not for deregulation and liberalisation (as per the Washington consensus). Rather, it relates to the building of a regulatory framework to ‘ensure an effective financial system’, which he sees as being critical for macroeconomic stability and long-term development, and fostering competition. Here, government policy that fosters competition in certain sectors is seen by Stiglitz as critical. Furthermore, this ‘Washington consensus plus-government’ theme is evident within Stiglitz’s attention to privatisation, where he is concerned with the capacity to regulate private interest and issues relating to the ‘sequencing and the scope of privatization’ – something that has become a staple concern within the new development agenda (see chapter six).

Finally, in Stiglitz’s PWC, the state is also is projected as a basic ‘guarantor state’ – in that it is expected to make up for where markets fail or under-provide.

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21 In this regard, Stiglitz has criticised the Washington consensus focus upon controlling inflation, and the preference for trade liberalisation, deregulation and privatisation while it ‘ignored other important ingredients’. He also offers that the ‘correct’ budget and current deficit size is context sensitive in contrast to the macroeconomic policies of the Washington consensus which were focused upon reducing government, the budget and the size of the current account deficit. Stiglitz, ‘More Instruments and Broader Goals’, in particular, 20-23, 26. However, even here, after distancing his position from orthodoxy, Stiglitz comes back to closely aligning himself with orthodox neoliberals: ‘In my view the conclusion to be drawn from this research is that controlling high and medium-rate inflation should be a fundamental policy priority but that pushing low inflation even lower is not likely to significantly improve the functioning of markets.’ Emphasis added. Ibid, 24.
23 Ibid, 31-34.
24 Ibid, 33-34.
25 Ibid.
26 For example, Stiglitz gives some attention to human capital (dealt with in chapter four of this thesis) and the importance of government ensuring an adequate provision of it, through education funding,
Crucially, for our discussion here, though, is the way in which Stiglitz’s work focuses not just upon the particular reforms that entail the transformation of societies but the *manner in which transformation must take place*. In his Prebisch lecture, Stiglitz presents a neat articulation of ‘the two critical roles of the new development strategy, catalysing change and transforming whole societies.’

This systemic theme within his PWC advocacy is also reiterated in his critique of previous approaches to development that ‘did not reach deep down into society, nor did they believe such a participatory approach was necessary.’

Vitally, this two-pronged design (entailing particular policy content and a concern for delivering particular reforms) is, as this thesis makes clear, a key feature of SIN. Importantly, it implies that society can be changed via a concerted process of institutional engineering, largely without political conflict. In this regard, Stiglitz’s PWC and the new development paradigm are very closely related indeed, although a very important qualification should be made. Both participation and ownership in Stiglitz’s PWC, play an important part in engendering society-wide transformation, as they do in the existing new development agenda.

However, Stiglitz’s notion of participation in relation to development differs in some important ways with the notion incorporated into both Bank documents and the organisation’s participatory processes that operate on the ground (as is made evident chapter seven). An example of this difference is evident in Stiglitz’s emphasis upon democracy. This said, even in his hands participation and ownership still serve a highly functional role: that is, to guarantee ‘successful transformation’ in a neoliberal sense.

There are several important points to distil with respect to Stiglitz’s conception of the new development agenda or the PWC. The first is that Stiglitz’s PWC is a new approach to market extension rather than a departure from it. While there is a tempered recognition within Stiglitz’s speeches of problems that liberal markets can’t easily rectify, this is in no way a variant of social democracy, seeking as it does to further the extension of the market into social life. In essence, it continues the project of neoliberalism and largely ignores issues of power relationships in the market. It exhibits a functional concern for embedding neoliberal policies more than anything else. It also

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28 Ibid, 61.
29 Ibid, 73.
30 Ibid, 74.
clearly embodies a technocratic-managerial approach to politics that has the effect of depoliticising the conflicts and struggles over development.

Further to this, the inclusion of notions of participation, democracy and egalitarianism are contradictory elements as they exist within Stiglitz’s framework (as we will see in the later case study chapters), sitting uneasily alongside the anti-pluralist institutional straightjacket that is actually implied by his emphasis upon the ‘role of the state’ and its relationship to the market.\(^{31}\) Indeed, as this thesis will make clear, the fact that several of these facets are either dropped or \textit{highly} circumscribed confirms that the proponents of the PWC in practice are more than conscious of the need to rein in some of the more potentially democratic elements associated with Stiglitz’s PWC. An important point should be made that whatever the merits of Stiglitz’s PWC, both before and after him, the World Bank’s predominant concern has been the ongoing attempt to embed the neoliberal project. To achieve this end, it has used and modified a variety of elements in a highly instrumental manner. Stiglitz and his ideas are just one element, albeit an important and thematic one, in the new development agenda and it is analytically insufficient to equate him with the real-existing PWC. What we still need, however, is a more sophisticated framework for understanding the politics of the real-existing PWC.

\textit{Critical understandings of the new development agenda and the World Bank}

While the new development agenda is undoubtedly part of a much larger project, this thesis is specifically seen as a contribution to the growing literature on the politics of the PWC.\(^{32}\) Current critical analyses of both the PWC and the Bank have been largely based around appraisals of the PWC’s identified prescriptions (often related to the

\(^{31}\) I would like to acknowledge a conversation that I had a number of years ago with an acquaintance, Andrew Bastow, which played a role in prompting me to consider further the contradictions within and between Stiglitz’s political and theoretical positions.

By anti-pluralist, I am referring to an approach where there is systemic intolerance for incorporating competing alternative perspectives from political groups, especially in relation to their capacity to shape state institutional form.

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Stiglitzian conception described above), proposals for new prescriptions for the Bank, and the theoretical underpinnings of such prescriptive content. These tasks are very useful for those interested in changing ideas on development. However, what is essential is to present a framework that assists us in understanding what the PWC is in practice, what structures the Bank (as its leading proponent) seeks to promote on the ground and, vitally, the politics associated with this. This framework is distinctly lacking in the existing literature.

Two early, yet important edited volumes have analysed the new development agenda and the Bank: Reinventing the World Bank (edited by Jonathan Pincus and Jeffrey Winters) and Development Policy in the Twenty-First Century, Beyond the post-Washington Consensus (edited by Ben Fine, Costas Lapavitsas and Jonathan Pincus).33 In the case of the Winters and Pincus volume, a critique of the current Bank (especially the prescriptive elements associated with it) and proposals for its reinvention are a key focus. While acknowledging the importance of politics, the editors are clearly interested in the creation of a development bank in a more ‘traditional’ light:

Finally we put forward a fourth option, which has not received much attention in the literature – the World Bank as a development bank. This proposal runs directly counter to the conventional wisdom, which holds that development banking is passé in an era of vibrant international capital markets. We argue that the conventional wisdom is wrong and that the World Bank should build on its comparative advantage in development banking and surrender unrelated tasks to existing or newly created institutions better suited to carrying out these functions.34

The principal task of the volume is to provide a critique of the current Bank, review the competing pushes for change on the organisation and to put forth a proposal for its reinvention. In pursuing their task, they and the various contributors to the volume, usefully identify what they see as the key facets of the new development agenda driven by the Bank. However, if there is one basic criticism of the volume it is that the introductory chapter fails to analyse the political project that the Bank is part of and

focuses instead upon pressure for change of the organisation. Many of the new development agenda’s prescriptive elements are highlighted in the introductory chapter and in the subsequent chapters of contributors – especially Fine’s chapter on social capital, Khan’s chapter on corruption and governance and Pincus’ chapter on institution building. However, the book’s modus operandi which is set up in the introductory chapter (focusing on the Bank’s reinvention and approaches to it) diverts from a more systematic framework that could assist us to understand what the Bank is and does in practice. In short, the volume fails to comprehend the politics of the new development agenda and, rather, sets about proposing a new agenda for the Bank. What this actually reveals is that the authors seem trapped within the very same technocratic-analytical constraints that they criticise. Indeed, a more politically centred analysis would shift from what ‘might be good’ (a reformed Bank) to what exists and the political reasons for this. This would reveal a great deal more about the current development agenda that the Bank is associated with (which several of the book’s sole-authored chapters actually lend themselves towards).

In the preface of the book, elements of the new development agenda are linked to an effort on the part of the Bank, upon Wolfensohn coming to the Bank’s Presidency, to deal with questions hanging over the organisation’s legitimacy and sources of support. Certain initiatives are seen as important illustrations of a response on the part of the organisation to some of these questions: the Strategic Compact (1996), the Partnership Initiative (1997), the Comprehensive Development Framework (CDF) and the introduction of the poverty reduction strategy papers (PRSPs).

Pincus and Winters see the change in the Bank’s work as broadening ‘the Bank’s role from lender and economic adviser to include aid coordinator, political organizer, social reformer, law enforcer, and even the voice of the world’s poor.’ They do, however, harbor grave reservations about the Bank’s ability to undertake such tasks, asking whether it has the operational capacity in this regard. Importantly, in their


37 Pincus and Winters, ‘Preface’, vii-viii. These are all essential elements in understanding the PWC and are covered in detail in various chapters within the thesis.

38 Pincus and Winters, viii.
critical-technocratic mission, they are also concerned as to whether the Bank is the right ‘vehicle’ to take on world poverty and ask whether it has the right ‘conceptual framework for the analysis of poverty and broader development issues.’ For Pincus and Winters the Bank’s diversification, or ‘mission creep’, into issues such as participation, governance and post-conflict reconstruction is partly attributable to the Bank’s ‘bureaucratic inertia’ and the result of accommodating increasing demands from member countries. In particular, the editors identify two political challenges to this incrementalism – evident in the 2000 ‘Meltzer Report’ (undertaken by the International Financial Institution Advisory Commission, which was highly critical of the Bank) and, conversely, ‘populist campaigners’ demanding ‘democratic accountability’ of the IMF and the Bank. The call for ‘greater focus and accountability’, according to Pincus and Winters, has led to ‘piecemeal reforms’ such as the Strategic Compact, the CDF and the Bank as a ‘Knowledge Bank’, which they assert are merely the ‘latest series of internally managed efforts to redefine the Bank’s mission and restructure its relationships with creditor and debtor countries.’ From here, the editors advocate organisational change for the Bank denoting ‘…a thoroughgoing and externally controlled process of transformation’. Interestingly, in this regard, they are acutely aware of the Bank’s connection to US power (and in particular the US Treasury) and the impact upon the Bank of the end of the Cold War, which they argue – along with an increase in capital flows to the developing world (narrow as they are) – has created strong pressures for change at the Bank.

Pincus and Winters identify these pressures for change as being related to ‘the emergence of several competing visions of a newly reinvented Bank’ – and with it, implicitly, some of the components of the new development agenda. Four competing visions for the Bank are highlighted. The first, is the ‘Knowledge Bank’, which they strongly associate with Stiglitz. The second vision of the Bank is the organisation as a ‘niche’ Bank (advocated by proponents of the right to focus, selectively, upon the poorest countries). The third is a ‘left-populist’ view that argues that the Bank cannot be reformed and should be shut down. Finally, they put forward their own view – the

41 Pincus and Winters, ‘Reinventing the World Bank’, 2. The report is dealt with in more detail in the next chapter.
42 Ibid, 3.
43 Ibid.
44 Ibid, 5. 6.
45 Ibid.
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World Bank as a ‘development bank’. Such an organisation, the authors argue, would be focused upon its comparative advantage and would farm out those tasks to which it is less suited.\textsuperscript{46} In this regard, the authors see the Bank’s comparative advantage as relating to the promotion of public sector capital flows, rather than the emphasis on ‘the institution’s pedagogical, non-financial role.’\textsuperscript{47}

For our purposes here, the first vision of the Bank that Pincus and Winters outline is perhaps the most relevant to focus upon. However, the framework proposed in this thesis strongly argues against an analytical approach that focuses upon ‘visions’ for the Bank. This is a version of the Bank that relates neatly to the Stiglitzian PWC covered previously. Like Stiglitz’s PWC, it does contain elements that are identifiable, though not exclusively, with the new development agenda and is what Pincus and Winters, writing in 2002, saw as ‘the vision of the Bank that current management strongly endorses’.\textsuperscript{48} Furthermore, they perceive this ‘vision’ as ‘a serious dilemma for the reinvention project’ that they advocate – something that is actually applicable to the real-existing PWC. In their Knowledge Bank ‘vision’, the ideas of Stiglitz and Wolfensohn are seen as critical.\textsuperscript{49} From this perspective, the failure of conditionality – both in terms of its capacity to change borrower country policies and improve macroeconomic performance – gave Stiglitz the opening to undertake his agenda setting program; that is, the promotion of his version of the PWC.\textsuperscript{50} Pincus and Winters state of Stiglitz and ‘his’ PWC that:

\begin{quote}
The post-Washington consensus aggressively widens the scope for the policy intervention from economic issues to the political, social and cultural spheres while at the same time narrowing the range of acceptable leverage points needed for effective intervention. In terms of the three dimensions of reinvention, Stiglitz has provided a new conceptual framework, but has failed to link it up with a viable operational strategy.\textsuperscript{51}
\end{quote}

The two authors feel that ‘[t]his is a strategy for a kindler, gentler Bank, but one that entails sizeable risks for an institution that is already under fire for failing to live up to

\textsuperscript{46} Ibid, 9-10.
\textsuperscript{47} Ibid, 9, 23.
\textsuperscript{48} Ibid, 10.
\textsuperscript{49} Ibid, 11, 13.
\textsuperscript{50} Ibid.
\textsuperscript{51} Ibid, 12.
its own internal performance standards.\textsuperscript{52} They also have their doubts about the potential for the Bank to build new institutions, improve governance and foster participation (critical elements within the Stiglitzian PWC) without redistribution of economic and political power.\textsuperscript{53} In this final respect, their concerns are acutely applicable also for the PWC in practice. However, this consideration of the PWC as a strategy for a ‘kinder, gentler Bank’ is an exaggeration if we consider the way in which change at the Bank has actually unfolded. Rather than a two-man project to create a ‘kinder, gentler Bank’, the PWC is better understood, as a strategy for a Bank that has had more than its fair share of implementation failures and other problems. Overall, in response to such realities, Bank staff have developed an approach, within the ideological and political confines of many of its senior staff, to rectify these failures and problems within the context of a project fixated upon liberal market-extension. Therefore, much of the PWC is related in one way or another to embedding and maintaining markets. In short, what is evident in the Pincus and Winters volume is a failure to conceptualise the PWC as an attempt, driven by a coterie of ideological and political interests, to institutionalise
e neoliberalism.

Similar weaknesses are also evident in Fine et al’s \textit{Development Policy in the Twenty-First Century: Beyond the post-Washington Consensus}. While the subject matter is similar to that of the Pincus and Winters volume, the intent of the authors is quite different. It specifically engages with the ‘emerging’ PWC, presenting a practical, yet limited, way of conceptualising it. Of the PWC they state:

\begin{quote}
…market failure and institutions played no significant role in the Washington consensus. The emergent post-Washington consensus inevitably based itself on them. The new consensus, if such it can be called, is still an inchoate current of thought, possessing none of the prescriptive – and profoundly misleading – sharpness of the Washington consensus.\textsuperscript{54}
\end{quote}

They continue:

\textsuperscript{52} Ibid.
\textsuperscript{53} Ibid, 12-13.
The difference from the previous consensus lies perhaps in the following two elements. The first is the advocacy of a ‘milder’ opening of the economy to the dictates of the market, drawing upon the analysis of market failure. Room is left for interventionist policy by the state, in so far as such policies deal with market imperfections, thus improving the performance of the market system as a whole. …

The demarcation lines among acceptable and non-acceptable activities of the institutions [of the state], which are presumably necessary for development success, are far from clear. Inevitably, the policy prescriptions of the new consensus are more vague and less explicit than those of the old. …

The second element is an emphasis on the non-economic ‘glue’ that holds society together. The concept of social capital is of critical importance in this connection. … It is apparent that, in this connection too, there are no clear policy prescriptions, other than very long term ones.

This is a view of the PWC that is also heavily based on focusing upon a Stiglitzian, policy-based conception of it. The problem with this analysis of the PWC is that it neglects the PWC in practice, largely engaging with it in a technical sense, interrogating the prescriptions put forward by Stiglitz. As such, this analysis sees change as relating to an array of ‘vague’ policy prescriptions and an ‘inchoate current of thought’.

Actually, in isolating the evolving new development agenda as it exists we can be very precise with regard to what prescriptions are implemented on the ground. More than this, we can be clear about the politics associated with these prescriptions. While some of this can be excused as the result of timing (Stiglitz’s impact upon the Bank was still sinking in when the book was first published in 2001), it is clear that many elements of the new development agenda that we have today were being implemented long before Stiglitz took to the pulpit. This is but another result of largely equating Stiglitz with the

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56 Ibid.
PWC, rather than analysing the evolving nature of neoliberalism and the unfolding PWC as one stage in this evolution.

In the preface, the authors make clear that ‘The nine chapters of the book tackle various aspects of the emerging post-Washington consensus and reflect the concern to build and criticise theory on the basis of strong empirical foundations.’ The problem here is that the analysis they present of the PWC looks vague, bound as it is to a conceptualisation that centres around prescriptions and their theoretical underpinnings (especially those presented by Stiglitz). In short, the authors fail to contextualise the Stiglitz agenda as an important element of what this thesis calls SIN. What is essential is that we see the manner in which particular programs and projects (as delivery devices) and processes of participation and partnership (as political technologies) are used to embed SIN policies – in short, to extend the market. Such delivery devices, that attempt to deliver a certain prescriptive set, and political technologies, which attempt to build consensus and marginalise opposition, are actually illustrative of a project to embed very specific prescriptions relating to market extension. Here, Stiglitz’s work about transforming whole societies resonates strongly. However, the actual existing PWC needs to be explained beyond the influence of Stiglitz. Indeed, it is this sort of analysis that is required to sufficiently answer a question posed and answered by Fine in the leading chapter of the book, which would tell us a great deal more about the new development agenda rather than an abstract conception of the PWC:

However, it does raise the more general issue of what impact the post-Washington consensus, and the Washington consensus previously, has on practice. Is it merely rhetorical gloss on unchanging or otherwise determined policies, or does it heavily influence outcomes? The truth is mixed and somewhere in between these two stylised extremes.

Indeed, the history of the Bank and its work throughout the eighties, nineties and more recently is critical, revealing the different tensions and influences (intellectual, political and ideological) that have been important in the existing PWC’s development. Like

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59 Ibid, xix.
60 Fine, ‘Neither the Washington Consensus nor the post-Washington Consensus’, 16.
61 Ben Fine’s chapter tacitly acknowledges this, although perhaps gives it insufficient attention: ‘In this light, Stiglitz’s post-Washington consensus builds upon, accelerates and leaps ahead of the earlier, painfully slow, intellectual and ideological shifts that could already be detected as present within the World Bank over the last few years.’ The problem with this, is that the evidence of continuity is not given its full weight and ends up leading to a rather binary analysis of the Washington consensus and
the Pincus and Winters volume discussed earlier, important evidence for continuity in the PWC-era is present in the case studies within the volume by Fine et al. However, the overall analytical conceptualisation of the PWC is deficient, contained as it largely is to a technocratic assessment of a set of prescriptions.

Moving away from these critiques, the new materialist work on the Bank and the ‘governance of global capitalism’, associated with Paul Cammack, is another important element in an analysis of the Bank and the PWC. And it is vastly less ambiguous about what the Bank (and *ergo* the PWC) is attempting to do. Cammack’s work develops an ‘approach to world politics derived from Marx’s critical political economy’,62 and it heavily influences this thesis. The notion that the Bank is part of a ‘project…aimed at the “completion of the world market”’ and that its efforts in this regard are actually towards promoting the proletarianisation of the world’s poor is not contested by this thesis – indeed it is countenanced by it.63 However, his explanation of a ‘Wolfensohn-Stiglitz project’ and a systematic analysis of *World Development Reports*, to describe what the Bank is and does, perhaps doesn’t quite do his theoretically sophisticated approach justice because of a, thus far, lack of detailed evidence from the field.64 However, Cammack’s framework does allow for the future specification of such detail to compliment its theoretical insights and he does acknowledge the complexity of interests at play in the global system. To understand his framework it is worth quoting the following excerpt at length:

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New materialism applies the concepts derived from Marx’s ‘historical materialism to the circumstances of the global political economy of the twenty-first century. It takes as its starting point the perspective that capitalism has developed to a point where the idea of the “completion of the world market” provides an appropriate focus of analysis. Its focus is on the unstable and conflict-ridden nature of emergent global capitalism, and on class struggle as reflected in the efforts of capitalists and pro-capitalist forces to secure, and of subordinate forces to resist, the hegemony of capital over labour upon which capitalist reproduction ultimately depends…It assumes that the governments of such states have an interest in the general conditions of capital accumulation and realization…; it assumes, too, that as a consequence of the uneven and combined character of development, varying domestic configurations and locations in the global economy will give rise to distinct arrays of interests and distinct projects from state to state in the system; and it sets this doubly complex picture of relations between states in the context of the fundamental capitalist framework in which capitalist enterprises are obliged to compete with each other to lower the cost of labour and increase the rate of profit. … At the level of global economic management, this situation is reflected in the emergence of global regulatory agencies (international organisations), and regional and inter-regional initiatives sponsored and carried forward by state leaders in an effort to mitigate the difficulties they face in advancing what they take to be their “national interest”.65

The potential within Cammack’s new materialist approach for looking at the PWC in practice as an important element of a project that seeks to complete a world market is clear. Indeed, the new development agenda is undoubtedly what Cammack sees as an important part of this project, evidenced by his work on the Bank and poverty reduction.66 However, it is perhaps fair to observe that such an analysis has not been sufficiently undertaken of the new development agenda. At least part of the problem here may lie with the hitherto application of the approach, which is used to look at what Cammack calls ‘the Wolfensohn-Stiglitz project’ and World Development Reports. This can preclude an analysis of the Bank’s actual influence, which in reality can be promoted and or curtailed and circumscribed by myriad interests.67 Importantly, such an

67 Marcus Taylor has provided a critique of Cammack’s ‘new materialism’ that has as its key concern some of these issues. Taylor states: ‘In particular, Cammack tends to view global capitalism as driven
omission can also miss the important political machinations that more concretely support some of Cammack’s essential points. Here again, what is crucial is the need to understand the politics of neoliberalism in the field. The SIN framework proposed in this thesis pays particular attention to the politically contested nature of neoliberalism and thus requires that we move beyond the focus upon a ‘Wolfensohn-Stiglitz project’, as important as this is, to explain the new development agenda in practice.\(^6\) This is essential if we are to understand where the new development agenda has come from and what it does. It is also important if we are to suggest where it might be heading.

**A new framework based around SIN**

Neither the analysis articulated by Pincus and Winters, nor the Stiglitzian post-Washington consensus (as it is conceived by both Stiglitz and, critically, by Fine et al.) present a framework to assist us in deconstructing the existing PWC, to which the Bank is so strongly connected. While Cammack’s new materialist framework has significant potential, his analysis of a ‘Wolfensohn-Stiglitz’ project hasn’t yet revealed all that it perhaps can, and undervalues the role of politics associated with the PWC in practice. This thesis proposes a qualitatively different framework for understanding the Bank and the new development agenda. It argues that the new development agenda is best understood as a new form of neoliberalism that is a qualitative departure from the Washington consensus. It does matter, as the Pincus and Winters volume makes clear, that the Bank has had to address competing demands from its member countries (made evident by such processes as those associated with the Asian miracle report, dealt with in the next chapter), and that it suffers from ‘bureaucratic inertia’ and is under threat from the right in regard to its lending.

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\(^6\) Cammack correctly points out that what he calls the ‘Wolfensohn-Stiglitz project’ ‘as a sustained attempt to take forward the programme that had been developed over the early 1990s, but still required to be operationalised, legitimised and “voluntarily” adopted by developing countries.’ This point has a great deal of resonance with the way in which I have charted the political evolution of SIN – especially in the next chapter. See Cammack, ‘What the World Bank Means by Poverty Reduction’, 190.
However, what is crucial, is that despite such influences (and sometimes because of them) the content promoted by the Bank is ideologically consistent, evident in a multitude of elements that are all clearly focused upon one goal – market extension and the embedding of institutional structures to assist with generating market efficiency. My intention here is not to argue what the World Bank should look like. Rather, it is to look at the paradigm and practice to which the organisation is inextricably connected. This, by its very nature, requires a framework that involves an analysis of both the PWC’s intellectual and prescriptive underpinnings as well as providing an understanding of the politics of its implementation. In short, rather than presenting a prescription for what the organisation should do, this thesis is concerned with what the Bank is doing and the broader structural and political reasons for why it is doing this. Furthermore, also important are the various political factors facilitating and frustrating the Bank’s agenda.69

In contrast to the Fine, Lapavitsas and Pincus volume, I chart the PWC as something more than an upgrade of neoliberalism based around certain intellectual traditions and economic prescriptions. The PWC is viewed as the promotion of a new form of neoliberalism – SIN – which is assembled from a variety of theoretical, historical and political lineages. In this, figures such as Stiglitz play a role. However, what is essential is that the SIN of the PWC extends itself well beyond the orthodox, or ‘basic’, neoliberalism of the previous consensus in important areas – areas which are not sufficiently detailed by looking merely at economic prescriptive content in abstract. What is new in this form of neoliberalism is especially evident the attempt through SIN to rectify the implementation problems that plagued the original consensus. Indeed, SIN equates to nothing less than a highly political attempt at altering state and societal formation.

In many ways, what the framework developed in this thesis reveals that is different from other analyses of the new development agenda derives from its shift in focus. What is crucial is not simply understanding the new development agenda through key figures and documents associated with it but how it actually pans out. Crucially, this, in turn, tells us much about what it actually is. In this framework, both history and theory (especially a critique of NIE) play an essential role in understanding SIN, and

69 Interestingly, after respecifying their desire for the World Bank as a development bank, the final sentence in the Pincus and Winters volume states ‘Barring a major realignment of shareholders’ attitudes and expectations, the World Bank will in all likelihood stumble forward along its current dysfunctional path.’ Pincus and Winters, ‘Conclusion’, in Jonathan Pincus and Jeffrey Winters (eds), Reinventing the World Bank (Ithaca: Cornell University Press, 2002), 226.
this is covered in detail in chapter three. So too does an analysis of SIN’s policies (or what I call the ‘new basics’) and those elements within SIN that are used to aid policy implementation (understood in the framework as delivery devices and political technologies). These are dealt with in chapters four and five respectively. This framework is then applied to an analysis of empirical evidence from the field (chapters six through eight), to demonstrate the presence and effect of SIN in practice.

The framework proposed and tested in the thesis, which is based around the concept of SIN, draws influence from a variety of sources, including some the work of those covered above and others. In essence, what draws the core approaches that have influenced the thesis together is both a critical bent and an emphasis upon class power as a central concern in social analysis. In this regard, social conflict theory, associated with Richard Robison, Garry Rodan, Kevin Hewison and Kirin Aziz Chaudhry has had an indelible impact upon the framework developed in the thesis. It is seen as explicitly useful to the thesis on two separate levels. Firstly, social conflict theory is useful for dissecting SIN’s theoretical foundations, which are based around new institutional economics (NIE). Within the social conflict approach, power and, vitally class power, matter, especially in relation to institutional form and operation. From this perspective, historical factors are seen as essential when explaining the demand for or presence of particular institutions. But more than this, institutions aren’t simply viewed as efficiency mechanisms (as they are by NIE proponents) or path dependent (as they are in historical institutionalist analyses). Crucially, they are related to the allocation of power for specific interests, which can both facilitate and impede reform processes – neoliberal or otherwise. Secondly, social conflict theory is used in the thesis in a way that extends beyond its use as a critique of the dominant approaches to institutional theory. Indeed, it is drawn upon in a meta sense to understand the very power of an organisation such as the World Bank and the factors that both affect, assist and impede it.

The use of social conflict theory doesn’t preclude drawing upon other critical approaches associated with understanding PWC (or elements of it). For example,
Cammack’s new materialist approach has been highly influential on the development of the framework presented in this thesis. In essence, the thesis accepts Cammack’s analysis that views the World Bank’s efforts as relating to a project of proletarianising the world’s poor. However, the projected outcomes implied by the framework here are perhaps less resolute than those implied by Cammack’s work, with more emphasis placed here upon the conflict and contradiction and their impact upon the Bank’s attempts to implement reform. Furthermore, the framework moves beyond an analysis of a ‘Wolfensohn-Stiglitz project’ to understand both the broader influences that have generated the PWC and the very impact of the real-existing PWC itself. Nevertheless, Cammack’s work is seen as significantly contributing to an understanding of the PWC’s potential when it is actually embedded.

John Harriss’ work on the World Bank and social capital, Ben Fine’s extensive critique of neoliberalism and social capital, and the contributions of others have also been critical to the framework developed here, both for their respective analyses of issues relating to the Bank’s work and the manner in which such authors seek to understand what the Bank does and why.73 Furthermore, in addition to this work, a specific remark should be made about the influence of the work of both the work of Jayasuriya and Gill on the development of the framework presented in this thesis. Jayasuriya’s work on governance, antipolitics, the regulatory state and the new development agenda and Gill’s concepts of disciplinary neoliberalism and new constitutionalism have been an important influence upon the conceptualisation of SIN.74


74 Works by both authors that have been influential on this thesis include Kanishka Jayasuriya, ‘Economic Constitutionalism, Liberalism and the New Welfare Governance’, Asia Research Centre working paper no. 121 (June 2005); Kanishka Jayasuriya, ‘Beyond “New Imperialism”: Neoliberalism, Securitisation and the New Transnational Regulatory Governance’, paper presented at the conference on The Post-Cold War International Order and Domestic Conflict in Asia, National University of Singapore (July
Indeed, SIN, should be seen as part of the project of ‘disciplinary neoliberalism’, that attempts the extension of processes of ‘commodification and alienation based on the intensification of the discipline of capital in social relations’, and its ‘quasi-constitutional political and legal frameworks’ – what Gill calls ‘new constitutionalism’. These concepts also relate very closely to Jayasuriya’s work on the economic constitutionalism, the regulatory state, market citizenship, the ‘new transnational regulatory governance’ and antipolitics. These concepts are drawn upon, where relevant, throughout the thesis.

Finally, the PWC is unashamedly seen here as a project that attempts to achieve hegemony, with varying results, in the Gramscian sense. A neo-Gramscian influence, derived largely from Gill and Susanne Soederberg, is undoubtedly present in the thesis. In particular, SIN is seen as the product of a ‘crisis of authority’ for the Bank and neoliberalism generally that created the terrain for battles over institutional form, without a fundamental reordering of social institutions. But this thesis goes further...
than much of the neo-Gramscian work in mapping out in detail the levels of resistance and assistance associated with this project. It also suggests doubt with regard to the potential of the project to attain and maintain the hegemony of neoliberalism (seen here as related to but distinct from the hegemony of capital). It is here that a framework centred around SIN allows us to analyse the array of intersecting and conflicting interests associated with the implementation of the PWC. SIN by its very form represents an attempt to marginalise those that are opposed or incompatible to it and to harness the support of elements congenial to it. Yet distinct limits to this attempt at hegemony are more than apparent, as will be made evident. A strength of the framework is that it isn’t just focused upon policy content, but is also concerned with the way in which SIN’s proponents, and in particular the Bank, use particular political techniques and devices in attempts to embed and maintain specific reforms. As will be made clear these methods meet various political responses, including the thwarting and distortion of reform by sections of capital, that mean that the hegemony of SIN is incompletely realised on the ground. Indeed, the most significant contribution of this thesis to the analysis of the PWC is the development of a framework that allows the systemic consideration of political dynamics and the implications that these carry for the new development agenda. To this end, understanding intra-Bank politics, the positions of class-based and other interests (including domestic and transnational capital, labour and the influence of powerful states) and the manner in which all of these intersect is critical. Absolutely pivotal is an acknowledgment of the manner in which different interests are included and/or marginalised by the PWC’s delivery devices and political technologies.

Chapter 2

SIN Rising

The ascendancy of SIN should be seen as originating out of an evolving political process. Myriad pressures and influences, which originate from both inside and outside the World Bank have been crucial in the generation of SIN over time. An important consolidation phase for SIN, around the turn of the millennium, clearly generated pressures between the Bank and its ‘sister’ organisation, the International Monetary Fund (IMF). However, more important than this relatively recent ‘internal’ tension in explaining SIN’s rise and form, has been the broader and, often, earlier politics of neoliberal development, especially those related to its implementation and its perceived legitimacy. Indeed, in many ways, the expansion of institutional analysis, which is such an essential part of SIN, and SIN’s emphasis upon participatory elements (dealt with in chapters four and seven), can be understood in relation to efforts within neoliberalism to legitimise, embed and maintain liberal market systems.

This chapter details the rise of SIN in an historical and political context, providing an explanation as to why it has come about in the form that it has. Simply put, SIN is seen as a politically-conditioned response generated from within the confines of neoliberalism to the significant problems in practice that the Washington consensus encountered. These problems in practice related to both the implementation of reform programmes and what I have called ‘dilemmas of explanation’ – that is, the explanation of both economic success and crisis respectively. In particular, the chapter highlights the politically contested nature of neoliberal development policy over the last decade and a half, in the context of challenges within the global political economy, such as the Asian crisis and the post-communist transformations in Eastern Europe. The earlier experiences of World Bank and IMF structural adjustment operations in Africa are also considered as important. Beyond this macro-styled explanation for SIN’s genesis, the chapter also associates the embryonic formation of some of the themes within SIN, such as participation and consultation, back to the rise of specific elements within the Bank, notably, those associated with environmental and social development.

78 As is discussed later in the chapter, the tensions between the two Bretton Woods organisations were obvious during the Asian crisis and the drafting of the 2000/2001 World Development Report and the related departures of senior Bank employees, Ravi Kanbur and Joseph Stiglitz. See Robert Wade, ‘Showdown at the World Bank’, New Left Review, iss. 7 (January/February 2001), 124 – 137.
What is also clear, is the overt role of certain core protagonists in the contestation over neoliberal development. Notably, the US Treasury (and the US state more generally), key organisations within Japan (its Ministry of Finance, for example) and particular staff within the IMF and the Bank have, at times, been key players in the battle over neoliberalism’s form. Civil society has also brought pressure to bear on the evolution of SIN. Pressure from activist groups and critical academia on the Bank and the Fund has been pronounced and has undoubtedly impacted upon the crisis of legitimacy for neoliberalism, to which SIN is a response. However, the core elements within SIN’s final form are more robustly related to the outcomes of conflict of the aforementioned figures than a result of the critical pressure brought upon the multilateral organisations by specific activist groups or critical academia, for example. In short, SIN has been largely forged out of a battle waged by and between the representatives of the interests aligned with the reproduction (and legitimisation) of global capitalism – broad as they are – over time.

The World Bank and the political evolution of neoliberal development

Previous to SIN, the so-called Washington consensus (explained below) held sway at the Bank. It is worth briefly charting the intellectual precursors and contextual influences on the Washington consensus to illustrate the political evolution over time of neoliberalism and its relationship to development policy. The Washington consensus was preceded and assisted, in a ‘path breaking’ and thematic sense, by the ‘counter-revolution’ within development theory that began in the 1970s and rose to paradigmatic ascendency in the 1980s.\textsuperscript{79} This counter-revolution was complemented politically in the late 1970s and early 1980s by conservative administrations in Britain and the United States which, apparently confident of the ability to tame inflation by way of the control of the money supply, focused upon monetarist policies.\textsuperscript{80} Incorporated in the monetarist approach, which was diametrically opposed to previous Keynesian fiscal policy, was the notion that government should not engage in too much economic management.\textsuperscript{81} Debate, both academic and popular, over monetarism was vigorous in the mid 1970s


\textsuperscript{81} Mosley, Harrigan and Toye , 7, 10.
and the end of the consensus around neo-Keynesian approaches to macroeconomics also led to debates which questioned the relevance of development economics.\textsuperscript{82}

As Mosley, Harrigan and Toye have shown, the ascendancy of early neoliberalism, both political and intellectual, was consolidated in a very specific global economic environment, where fifteen years of slowing world economic growth from the mid-1960s to 1980 was followed by a debt crisis in the Third World:

The fifteen-year-long slow down of world economic growth is best understood in terms of two critical events. These are the two great oil price rises of 1973 and 1979-1980 and the consequent debt crisis which erupted in 1982. They are linked together in a chain of turbulent events. The governments of the industrial countries allowed an expansion of aggregate demand that provoked a strong bout of inflation in the industrialised world in 1972-73, which in turn triggered off a brief boom in non-oil primary commodities in 1972-74. The Organisation of Petroleum Exporting Countries (OPEC) took advantage of the prevailing shortage psychology to raise the price of petroleum threefold. This shock cut back real growth of output in OECD countries, although inflationary conditions persisted until the end of the decade.\textsuperscript{83}

The oil price hikes of 1973 and 1979 had a significant dampening effect upon the growth of industrialised countries, with the hike of 1979 bringing them close to recession.\textsuperscript{84} As Mosley et al. stipulate, the arrival in the United Kingdom, the United States and the Federal Republic of Germany, of right-wing governments keen to implement monetarist policy ‘implied a rise in nominal interest rates’ which actually occurred in tandem with the deflationary effect of the second oil hike.\textsuperscript{85} An upward swing in real interest rates and a downward shift in the value of underdeveloped country exports, presented an obviously dire situation for underdeveloped countries, resulting in a massive debt crisis.\textsuperscript{86} This debt crisis stemmed from the borrowing by underdeveloped countries of cheap ‘petrodollars’, accrued by oil producing countries from the earlier

\textsuperscript{82} Ibid, 9-10. Development economics was, for some surprisingly, criticised for its ‘Keynesian’ similarities, which included ‘A fetish about physical investment, over-reliance on central planning, and a mistaken analysis of the underemployment of labour and its transfer out of agriculture’. Ibid, 10-11.
\textsuperscript{83} Ibid, 5-6.
\textsuperscript{84} Ibid, 6.
\textsuperscript{85} Ibid, 7.
\textsuperscript{86} Ibid, 8.
increase in the oil revenues, which had sent international debt to unprecedented levels.\textsuperscript{87} In total, this global context provided both an important backdrop to, and catalyst for, the ascendancy of neoliberal approaches in both the developed and underdeveloped world.

Intellectually, the counter-revolution in development theory was led by several key individuals, such as Harry Johnson, Anne Krueger, Peter Bauer and Deepak Lal.\textsuperscript{88} While it has been emphasised by writers that it is important to recognise the differences between these and other neoliberals, for our purposes here several general remarks can be made to clarify the broad neoliberal position at the time.\textsuperscript{89} Neoliberals rejected many of the key tenets of structuralist development thought – which, while also containing a divergent and eclectic membership, emphasised interventionist approaches.\textsuperscript{90} For structuralists, it had been important to recognise the difference between the \textit{structures} of the industrialised world and the underdeveloped world and to understand that, consequently, ‘…economic outcomes in response to similar events in each environment will systematically reflect such differences.’\textsuperscript{91} Neoliberals, in contrast, critical of the sluggish progress of the underdeveloped world, apportioned blame on government intervention.\textsuperscript{92} They emphasised the cost of ‘rent-seeking’ and highlighted the purportedly distorting effect of government intervention on the price mechanism and thus efficient resource allocation.\textsuperscript{93} In short, as Colclough has noted, their solutions echoed ‘those of early liberal economists from Smith to Marshall’.\textsuperscript{94} They revolved around rolling back state influence on the economy and ‘liberating the market’, which, while being acknowledged as imperfect, was seen as preferable to government intervention.\textsuperscript{95}

Several of the key individuals related to the intellectual consolidation of neoliberalism had a very direct influence within the World Bank, in an environment where ‘bilateral and multilateral development agencies and banks…were searching for stronger guarantees of repayment of loans in an increasingly indebted developing

\textsuperscript{89} For example, see Mosley, Harrigan and Toye, 11 and Colclough, ‘Structuralism versus Neoliberalism’, 6.
\textsuperscript{90} Colclough, ‘Structuralism versus Neoliberalism’, 2-3.
\textsuperscript{91} Ibid, 2.
\textsuperscript{92} Ibid, 6.
\textsuperscript{93} Ibid.
\textsuperscript{94} Ibid, 6-7.
\textsuperscript{95} Ibid.
world.\textsuperscript{96} By the early 1980s neoliberals including Anne Krueger and Deepak Lal, and others such as Bela Balassa, were working at senior levels within the World Bank.\textsuperscript{97} Indeed, around this time the organisation was beginning to undergo a metamorphosis, displaying a shift in policy, approach and ideology. Poverty alleviation approaches were being dropped in favour of policies influenced extensively by rational choice theory and neoliberalism. This was reflected in structural adjustment programs (SAPs), designed by the Fund and the Bank, that would make lending conditional on pursuing particular neoliberal policies.\textsuperscript{98}

Such an approach was substantively different to the Bank under most of Robert MacNamara’s Presidency. As Berger and Beeson have emphasised, MacNamara’s incumbency (1968-81) reflected some of the ‘…optimism characteristic of the wider cold war liberalism (liberal developmentalism or classical modernisation theory) which had emerged after 1945.’\textsuperscript{99} Under MacNamara, the Bank had often criticised industrialised countries for their protectionist trade regimes and their inadequate aid contributions.\textsuperscript{100} It had also substantially increased lending in new areas. Small and medium farms, health, education and urban infrastructure were all recipients of increased lending during MacNamara’s term as Bank President.\textsuperscript{101} Berger and Beeson explain that the approach by MacNamara and ‘other cold war warriors of his generation’ was influenced by the notion that communism’s expansion and poverty were related.\textsuperscript{102} However, by the end of MacNamara’s term as President in 1981 the Bank was expressing concern with regard to the ‘…international financial system’s

\textsuperscript{96} Ibid, 7.
\textsuperscript{97} Ibid, 7, 22. In relation to the intellectuals associated with the consolidation of neoliberalism and their impact on the Bank (and the IMF), Colin Leys remarks, that Bauer, Lal, Balassa and others, represented ‘in development theory the neo-liberal revolution that was taking place in the metropoles at the end of the 1970s, and who offered an intellectual justification for a new wave of market-oriented intervention by the World Bank and the International Monetary Fund.’ See Leys, 17-18.
\textsuperscript{98} Leys, 17-18, 22.
\textsuperscript{99} Mark Berger and Mark Beeson, ‘Lineages of Liberalism and Miracles of Modernisation: The World Bank, the East Asian Trajectory and the International Development Debate’, \textit{Third World Quarterly}, vol. 19, no. 3 (1998), 489. That said, Colin Leys has emphasised that most modernisation theorists were largely excluded from the Bank and the United States Agency for International Development (USAID) and that modernisation theory can be understood, partly, as an explanation as to why the approaches of development economists that permeated these organisations didn’t work. He also, interestingly, has illustrated the unacknowledged influence on the Bank and the International Labour Office of dependency theory – which he illustrated could be evidenced in the Bank’s ‘basic needs’ initiative. He is careful however to say that it would be remiss to overstate the influence, merely clarifying that dependency theory thought was broadly influential – especially in the Third World. See Leys, 9-12.
\textsuperscript{100} Mosley, Harrigan and Toye, 22.
\textsuperscript{101} Ibid, 21.
\textsuperscript{102} Berger and Beeson, ‘Lineages of Liberalism and Miracles of Modernisation’, 489.
ability to recycle enough funds to maintain economic growth and systemic stability.'

The global context noted above and a belief by people in the Bank that the price of energy would continue to rise, convinced MacNamara that there had been permanent change in the global economy.

With Alden Clausen’s ascension to the Bank’s top job in 1981, change in line with the new political economy approach firmly arrived. While some sections of the Bank, such as the research department, were more dogmatically neoliberal during the early to mid-eighties than others, the Bank, for some analysts, became more diversified in certain ways than it was under MacNamara. Nevertheless, there was a definitive shift in the Bank’s principal theoretical position, with the market increasingly reified over the state in a way that starkly contrasted with the previous status quo. Succinctly put, modernisation essentially acquiesced to neoliberalism in the development policy debate.

By 1989, the influence of this specific form of neoliberalism on the Bank and the Fund was clear enough for the economist John Williamson to be able to discern the ten broad neoliberal prescriptions that defined what he called the ‘Washington consensus’. Reflecting on the moniker in 2000 for a World Bank publication, he remarked that it referred to the ‘lowest common denominator’ of policy advice that was being given by the IMF and the Bank to countries in Latin America at the time. The policies were as follows: fiscal discipline; the redirection of public expenditure priorities towards areas of high economic returns; tax reform; liberalising interest rates; a competitive exchange rate; trade liberalisation; liberalisation of foreign direct

103 Mosley, Harrigan and Toye, 22-23 Berger and Beeson, 489.
104 Mosley, Harrigan and Toye, 23.
106 Mosley, Harrigan and Toye, 24; Berger and Beeson, 491.
107 Moseley et al have cited the Bank’s Accelerated Development in sub-Saharan Africa report (or the so-called ‘Berg Report’, after its author, Elliot Berg) as best symbolising the shift from the Bank under MacNamara to the new found appreciation for neoliberal thought: ‘The recommended remedy was the retreat of the state from economic life and the opening up of economic activity – especially in agriculture – to the free play of market forces. While clearly saying some things that were relevant and true, and which had not been said publicly by the Bank before, the naivety of the political analysis and the sweeping nature of the liberalisation proposals was startling, and signaled a major change of course.’ Mosley et al, 24.
108 John Harriss, Depoliticizing Development (London: Anthem Press, 2001), 77.
investment; privatisation; deregulation and secure property rights.\textsuperscript{111} As Moisés Naím, (Editor-in-Chief of \textit{Foreign Policy} and a former Executive Director at the World Bank) has noted, the term was Williamson’s summary of the general agreement for neoliberal orthodoxy evident between the “…political Washington of the US Congress (at the time), the Administration and the ‘technocratic’ Washington of the IMF, the World Bank and the think-tanks.”\textsuperscript{112} Over a period, it principally evolved to denote not only the ideological congruence but also the working relationship between the Bank, the Fund and US Treasury, a relationship that comprised the most influential proponents of free market approaches.

While the term has entered common usage and therefore has accrued meaning, this section should be prefaced with a word of caution to avoid characterising the political atmosphere within Washington at the time, the sources of the individual prescriptions and the main bodies associated with the consensus, as a completely homogenised entity. Indeed, Williamson and others have since made it clear that many of the influential groups that developed and pushed for policies of the Washington consensus actually hailed from places other than Washington and outside the main organisations. There were also often disagreements on points of emphasis within the neoliberalism of the Washington consensus.\textsuperscript{113} Demonstrative of this divergence, Williamson notes that an emphasis upon competitive exchange rates was not an accurate conceptualisation of Washington opinion.\textsuperscript{114} By 1989 a majority of economists in Washington and elsewhere preferred either a firmly fixed or freely floating exchange rate rather than an intermediate regime of the sort that Williamson advocated as more likely to be of benefit in the medium term.\textsuperscript{115} Additionally, reaffirming the point about exogenous influences on the consensus, he notes that the importance of secure property rights was derived from the law and economics school of Chicago and the work of Hernando de Soto, rather than being something distilled from Washington.\textsuperscript{116} These are important points of detail. Williamson also makes clear the distinction between earlier forms of neoliberalism and the consensus that he was describing. For example, he notes

\begin{itemize}
  \item \textsuperscript{112} Moisés Naím, ‘Fads and Fashion in Economic Reforms: Washington Consensus or Washington Confusion?’, \textit{Third World Quarterly}, vol. 21 no. 3 (June 2000), 506.
  \item \textsuperscript{113} Williamson, ‘What Should the World Bank Think about the Washington Consensus?’; See also Naim, ‘Fads and Fashion in Economic Reforms’, 506.
  \item \textsuperscript{114} Williamson, ‘What Should the World Bank Think about the Washington Consensus?’, 253.
  \item \textsuperscript{115} Ibid.
  \item \textsuperscript{116} Ibid., 254.
\end{itemize}
that by 1989, when he coined the term, the ‘market fundamentalism’ of Reagan had already been ‘superseded’ by a more ‘rational’ economic policy environment.\textsuperscript{117} Crucially, though, both variants of neoliberalism preferred markets to government (and Keynesian intervention) and shared some fundamental ideological affinity.

Despite this detail and Williamson’s concern for his term being used in particular ways,\textsuperscript{118} the term is used here to describe a general agreement by the Bank, the Fund and US Treasury for a form of neoliberalism based around fairly simple policy prescriptions (of the sort noted by Williamson) – what I call ‘simple neoliberalism’.\textsuperscript{119} Importantly, the definition used here also refers to the working relationship evident between the Bank and the Fund at the time and the promotion by both organisations of policies, purportedly universal in their applicability, which were suggested and prescribed with regularity in the underdeveloped world. This understanding is not a static understanding of the Washington consensus and both degrees of divergence and evolution within and over its elements are accepted.

\textit{Problems in practice for neoliberal development}

The Washington consensus was fortuitously timed for its proponents with the rather sudden collapse of the only other serious ideological contender to capitalism.\textsuperscript{120} However, simple neoliberalism had been far from problematic in the 1980s, both in terms of its ability to be implemented and the results that its policies often translated into. In 1989, even Barber Conable (World Bank President, 1986 – 1991), in an introduction to \textit{Sub-Saharan Africa: from Crisis to Sustainable Growth} noted the continuing crisis in Africa, despite development efforts by the Bank, the IMF and others:

\begin{quote}
Africa’s continuing economic crisis presents an extraordinary challenge to the development community – to both intellectuals and policy makers. Responding to this challenge during the past decade, the Bank has issued a series of reports on Sub-Saharan Africa. These have increasingly concentrated on urgent
\end{quote}

\begin{footnotes}
\item[117] Williamson, 255.
\item[118] Ibid, 251-252.
\item[119] By ‘simple’ I am referring to the complexity of the Washington consensus prescriptions in comparison to the more complicated prescriptions of SIN, which entail, among other things ‘building institutions’ for market function. The policy prescriptions of SIN are elaborated in chapter four.
\item[120] Naim, ‘Fads and Fashion in Economic Reforms’, 509.
\end{footnotes}
measures needed to set Africa on the path to recovery, as have the efforts of the development community at large. Yet the crisis has continued to deepen. 121

He continued:

Most African countries are now embarked on comprehensive programs of economic adjustment. The nature of these programs has evolved significantly as we have all learned from our experiences and mistakes. We have come to appreciate that fundamental structural change is needed to transform African economies and make them competitive in an increasingly competitive world. The adjustment efforts must be continued and the reforms broadened and deepened. 122

What is particularly revealing in this report – now, almost two decades old – is the manner in which the remedies that are suggested for sub-Saharan Africa’s maladies. Indeed, the suggested solutions offered in the document can be considered an early glimpse at what would later become SIN:

A central theme of the report is that although sound macroeconomic policies and an efficient infrastructure are essential to provide an enabling environment for the productive use of resources, they alone are not sufficient to transform the structures of African economies. At the same time major efforts are needed to build African capacities – to produce a better trained, more healthy population and to greatly strengthen the institutional framework within which development can take place. …

A root cause of weak economic performance in the past has been the failure of public institutions. Private sector initiative and market mechanisms are important, but the must go hand-in-hand with good governance – a public...

121 Barber Conable, ‘Foreword’, Sub-Saharan Africa: From Crisis to Sustainable Growth (Washington, The World Bank: 1989), xi. The crisis is detailed in the first chapter of the report, which states, ‘Sub-Saharan Africa has now witnessed almost a decade of falling per capita incomes and accelerating ecological degradation. …Africa’s generally poor performance during the past ten years has been reflected in weak growth in the productive sectors, poor export performance, mounting debt, deteriorating social conditions, environmental degradation, and the increasing decay of institutional capacity.’, World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth, 17-18.
122 Conable, ‘Foreword’, xi.
service that is efficient, a judicial system that is reliable, and an administration that is accountable to its public. Also, indicative of SIN rising, is Conable’s summary of the report’s recommendations for ‘empowering ordinary people’, ‘measures that foster grassroots organization’ and non-governmental organisations (NGOs) and a ‘growing conviction…that development must be bottom-up [and] less top-down’. However, these emphases only gained more momentum as the coming decade of the 1990s rolled on, as pressures upon simple neoliberalism’s legitimacy increased.

As is made clear below, problems were evident beyond sub-Saharan Africa that related to the both the capacity for neoliberal development organisations to embed liberal market regimes and the outcome of such attempts. But, importantly, the nascent attention to elements that now play an important role in SIN, like consultation processes and participation, to some degree stemmed from the fallout associated with some of the Bank’s large-scale infrastructure and other projects in the 1980s, and the rise of a group within the Bank related to ‘social development’. Gloria Davis’ history of the World Bank’s Social Development Network details this influence:

In support of rural development, and economic development more broadly, a number of Bank-assisted projects appraised in the 1980s supported infrastructure development on a very large scale. One of the most controversial projects involved a series of dams on the Narmada River in western India. But other large projects (Itaparica, Yacyreta), and land settlement projects such as the Polonoreste project in Brazil, transmigration in Indonesia, also got their share of public attention.

Responding to this, during a major reorganisation of the Bank in 1987, ‘Environmental Units’ were set up for each of the organisation’s four regions. While initially

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123 Ibid, xii. See also World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth (Washington, The World Bank: 1989), 2-15; Bøås and McNeil note that during the 1980s there had been increasing concern that ‘poor’ governance had prevented the implementation of structural adjustment programs in Africa and elsewhere. Morten Bøås and Desmond McNeil, Multilateral Institutions (London: Pluto Press, 2003), 87.

124 Ibid.


involving people with environmental expertise, in time social emphases were also developed. In 1993, the creation within the Bank of a division for social policy and resettlement, which dealt with ‘the social dimensions of natural resource management, social assessment, and an emerging social policy agenda’, in addition to resettlement issues, further enhanced the enmeshing of social and environment foci at the Bank. This emerging emphasis upon social issues was later to be represented by the formation, at the start of Wolfensohn’s tenure, of a task force on social development and the creation within the Bank of the Social Development Network.

Furthermore, throughout the mid-to-late 1980s, the Bank altered the way that it worked with NGOs, hinting at the growing emphasis upon ‘participation’. Davis states:

…the NGO-World Bank Committee formed in the early 1980s within the International relations Department, underwent a series of transformations which helped make the Bank more open and responsive to external concerns and set the stage for the Bank’s work on participation. … With the growing participation of northern NGOs, such as OXFAM, and the addition of developing country NGOs representing regional interests, NGOs were soon setting the agenda for the Committee. Specifically they put pressure on the Bank to make greater use of participatory approaches so that external voices could be better heard in the development process. In response, a Bank-wide Learning Group on Participatory Development was formed in 1990… . When John Clark from OXFAM was hired to head the NGO unit in 1992, the emphasis on poverty reduction and participation was further increased.

Yet the Bank’s growing acknowledgement of institutions, which was to become a central component in SIN, was heavily influenced by some major global events throughout the 1990s. It was during this decade that there was a growing awareness that the macroeconomic reforms of the Washington consensus were not enough on their own to guarantee prosperity. While the consensus presented a relatively basic roadmap for reforms, Problems were bountiful. Naim captured this well:

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127 Ibid.
128 Ibid.
130 Ibid, 4.
Unfortunately, the relative simplicity of the Washington consensus was not reflected by the experience with market reforms in this decade. What was implemented was usually an incomplete version of the model and its results were quite different from what politicians promised, the people expected, and the IMF and World Bank’s econometric models had predicted.132

The collapse of Eastern European communism, that began in 1989 and continued through the first years of the following decade, was to arrive at a time when neoliberalism was firmly in the ascendant, though still riddled with problems. For some within the Bank, notably Lewis Preston (President, 1991 – 1995), the demise of the Soviet countries had led to a ‘…broad convergence of development thinking which has replaced ideological conflict.’133 However, while an ideological victory in the Cold War had apparently been won, the demise of the communist bloc was only going to further highlight problems within neoliberalism. Even with the agreement of Russian reformers, Western advisers and the IMF for market-led development as the solution for Russia, the big test was going to be implementing it. Indeed, the disaster that was the Russian transformation gave neoliberals a wake-up call. When the collapse of the state in Russia occurred it was accompanied by veritable chaos. Between 1989 and 1997 gross domestic product (GDP) in Russia almost halved while inequality soared, with poverty, defined as living on US$4 a day, rising from two million to over sixty million by the mid 1990s.134 Above all, it was becoming dramatically evident for some that the state was required for the enforcement of rules and regulations that markets required for their operation.135

The theoretical limits to the Washington consensus were especially apparent in the unanticipated outcomes of privatisation in Russia. Rather than a broad-based transfer of assets from public to private hands, what eventuated was subsequently dubbed ‘asset grabbing’.136 Where privatisation in other countries sought to deliver certain theorised efficiency gains that were purported to accompany such a transfer of assets, the central role of privatisation in the transformation process had been developed

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132 Ibid, 509.
133 Berger and Beeson, 492.
with other accompaniments in mind. Attached to the more traditional benefits accorded to privatisation, it was thought that there would be other ‘dividends’. The formula was a theoretical stretch at best. It was thought that by creating a broad base of shareholders there would be a blossoming of a middle class of property owners that would become a catalyst for the evolution of democracy in Russia. In turn, these stakeholders would provide a bulwark against calls for renationalisation down the track. As such, privatisation sought to promote nothing less than a ‘fundamental restructuring of Russian society and Russian culture.’

However, to suggest that privatisation could be the main engine of transformation was naïve. Such an account underestimated the political, cultural and social separation between the old communist order and free market capitalism. Little serious concern was given to legal requirements, social safety nets, social institutions or other structural realities. Of significant importance here was a lack of even a concept of property rights. While the West had developed concepts of the rights attached to private property over centuries, Russia had no such tradition. Even prior to the 1917 revolution, there was a tradition of autocracy that was, at times, accompanied by complete ownership of productive assets. Thus, there was no historical pretext to base a system of property rights upon. Instead, what existed was a long history of repressive rule without property rights, mutual obligations, reciprocity and the inevitable accompanying set of informal interpersonal networks that operated to avoid the realities of conforming to the rules that characterised each oppressive order. To marry this historical reality with the neoliberal shock therapy approach that emphasised rapid reforms and a minimal state apparatus was always going to be problematic.

The Russian transformation relied heavily upon an agency-centred or ‘passive’ approach to institutional change. This approach, which has been promoted by neoclassical economists and rational choice theorists, emphasises the role of ‘political elites, bargaining, and incentives in the institutional design process.’ Within this

139 Ibid.
140 Ibid.
141 Ibid, 216-217. For a detailed account of the Russian privatisation process and the lineage of property rights in the West and the East see Stefan Hedlund, cited previously.
142 Hedlund, 217-227.
143 Ibid, 221-222.
144 Ibid. 223-224.
perspective the role of institutional legacies are deemed relatively unimportant and the
hardiness and resilience of existing institutional structures is undervalued.\footnote{Johnson, ‘Path Contingency in Postcommunist Transformations’, 254.} There is a
focus upon a requirement of rapid economic and political change, where elites or
‘policy entrepreneurs’, benefiting from the uncertainty of extraordinary political
situations and the structural blows that these situations inflict upon existing institutions,
can replace untenable and ‘inefficient’ institutions with market compatible structures.\footnote{Johnson, 254.}
This approach stands in stark contrast with the structure-based theories of historical
institutionalists that emphasise path dependency and the influence of cultural and social
legacies and their constraining influence upon institutional character.\footnote{Ibid, 254-255.} It also contrasts
significantly with the social conflict theory of institutional change which emphasises the
role of power and interests in relation to institutions, and which views institutions as
power allocation mechanisms (covered in detail in the next chapter).

However, the dominance of rational choice theory and neoliberalism in the late
eighties and early nineties meant that the policy set available to reformers was always
going to be defined by one specific paradigm which was to provide, at the time, the only
viable and plausible trajectory (at least in the minds of Western and Russian elites) out
of the Soviet quagmire. The shock therapy approach initially began with the liberalising
of most prices with the important exceptions of those of core natural resources, such as
oil, which were kept low.\footnote{Joseph Stiglitz, Globalization and its Discontents (Camberwell: Penguin , 2002), 142} This triggered a bout of hyperinflation which wiped out the
savings of many Russians, requiring fiscal stringency to attempt to reduce the
problem.\footnote{Stiglitz, Globalization and its Discontents, 142.}

However, hyperinflation meant that by the time the privatisation process began
very few people had any money with which to buy into those state assets being
privatised.\footnote{Ibid, 142-143.} Secondly, keeping the resource prices low meant that for those who could
afford to buy oil at low prices and turn it around, selling it in the West at a substantial
profit, there were significant rent seeking gains to be had.\footnote{Ibid, 142.} What resulted was not the
development of new operations or the positive restructuring of old ones but rather the
extraction of profit resulting from mistaken policy.\footnote{Ibid.} Interestingly, as Stiglitz has
noted, this actually caused many of the advocates of the shock therapy approach to
criticise the reforms for being too slow, emphasising a preference where all prices would have been liberalised in unison.\footnote{Ibid, 142.}

In short, the Russian situation demonstrated to some neoliberals the importance of functioning political and economic institutions for liberal capitalism. More than this though it demonstrated the relationship between institutions, markets and societies in general. Here was a definitive illustration for many neoliberals that neoliberal macroeconomic policies alone were basically unfeasible without a complimentary and \textit{compatible} institutional matrix. For example, the social networks, known as \textit{blat}, evident within the Soviet economy, were not examples of institutions that were complimentary or compatible with the impersonalised neoclassical model of a market.\footnote{Hedlund, 224.} In fact, they perhaps provided some insight into why neoclassical economics and neoliberals had typically eschewed social and cultural dimensions in their methodologically individual analyses. Even though the attention to social capital in the late 90s attempted to correct the disdain held by neoliberals for ‘the social’, Russia presented an example of the ‘dark side’ of social capital and social institutions for the neoliberal market. If institutions were useful for reducing transaction cost, the mafia and other networks were examples of how a reduction in ‘transaction cost’ for some could result in a collective disaster, not to mention neoliberal market reform failure.\footnote{This issues are picked up on a theoretical level in the next chapter.}

Additionally, fiscal stringency, which was and remains a hallmark of neoliberal and, in particular, IMF reforms, only exacerbated the problem. The state limited expenditures to the point where it failed to pay wages and pensions. This, in part, starved the economy of money, which was caught within a nasty circular relationship where the state didn’t spend, the private sector was starved of capital and the state had nothing it could tax.\footnote{James Galbraith, ‘The Crisis of Globalization’, \textit{Dissent} (June 22, 1999), 14.} It was rapidly becoming evident that for neoliberal reforms to be successful they required a more complex analysis of the reform process. All in all, the experiment with overnight free market capitalism was hardly an advertisement for the universal benefits of simple neoliberalism. While the reforms were supposed to set the preconditions for a successful market economy they actually became part of something that helped to create just the opposite.

While Russia might have been the largest example of the theoretically problematic nature of simple neoliberalism, being particularly illustrative of the lack of
institutional content in its key precepts and the related and ever present conundrum of implementation, it wasn’t the only one. There were numerous other examples of problems in practice and dilemmas of explanation that emanated from Latin America and Asia throughout the 1990s. Indeed, in both regions simple neoliberal theory was found wanting.

In Latin America, a region which had experienced problems with inflation and poor rates of growth throughout the 1980s, neoliberal reforms of the 1990s were to be coupled with a new era of growth, with the region posting annual growth of 4 percent per annum. But the results of reform were mixed. For a region famous for inequality the onset of reform and the subsequent inflow of capital failed to raise all boats. Reform did make some welcome changes in the region as far as neoliberals were concerned. It had brought an end to high rates of inflation and reinvigorated growth. Furthermore, trade liberalisation prompted a significant increase in intraregional commerce. Reform also contributed to foreign capital worth US$66bn heading to Latin America between 1990 and 1995. The reform period coincided in part with a massive shift in financial patterns in industrialised countries that increasingly witnessed people in the developed world buying stocks and bonds rather than depositing their in money banks. The reforms being pursued in Latin America made it an attractive destination for international investors. Yet, while the implementation of neoliberal reforms was associated with a boom in investment, the Mexican financial crisis that followed the peso devaluation of late 1994, and the shudders it sent through the region and elsewhere, brought excitement for investors and others back into check. For some neoliberals, Latin America still had ‘deeper’ issues to address. For Naim, in particular, ‘…high income disparities, low productivity, low international competitiveness, and – most important of all – ineffectual public institutions’ were ‘masked’ by the benefits that were reaped in the early stages of the boom. This, along with some of the examples given below, seemed to imply to neoliberals that there remained room for a more expansive form of reform that included the state in a more substantive way and an expansion of the ‘role and function’ of institutions, including social institutions.

160 Naim, ‘Latin America the Morning After’, 47.
161 Lozada, 18.
162 Naim, ‘Latin America the Morning After’, 50.
163 Ibid, 49.
164 Ibid, 46.
Welcoming the state back in and the Asian ‘miracle’

Throughout the decade of the nineties the World Bank had increasingly drawn the state back into its development analysis in a more robust way, and one of the key initial documents that articulated this position was the organisation’s seminal *East Asian Miracle* report, published in 1993. 165 This theme of ‘drawing the state back in’ was developed further in the *World Development Report 1997, The State in a Changing World*. Previously to this, the state had been largely, though not entirely, ostracised from the neoliberal development approach with public choice logic and the accompanying influential notion of ‘rent seeking’ having exacted a toll. However, now the state was seen as an important ‘supplier of institutions’ and its reintroduction highlighted the ascending importance of political institutions in the support of globalisation. 166 This reanalysis, which has become a vital part of SIN, in many ways gained momentum via a concessional, yet determinedly selective, appraisal of the so-called ‘miracle economies’ of Asia. While welcoming the state back into the development debate, albeit in a cautiously prescriptive way, this analysis was to encounter several key problems that would provide yet another catalyst for an ‘upgrade’ of neoliberal policy and emphasis. It was also to provide a fertile setting for conflict between the Bank and one of its most important member states, Japan.

The main problem with the Bank’s analysis of the Asian miracle, was its emphasis upon the Asian economies ‘getting the basics (neoliberal market friendly principles) right’. This analysis underestimated and largely ignored the respective structural realities of each of the Asian economies – which varied significantly between Northeast and Southeast Asia in particular, and which hardly bore wholesale resemblance to any variant of the simple neoliberal model. 167 Secondly, when the crisis of 1997 arrived there was the rather problematic issue, in terms of a continuity of paradigmatic logic and legitimacy, of accounting for the failure of countries that had just been praised as neoliberal models. While this was never going to be an easy

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165 This said, Cammack has noted that the state still notably figured in Bank documents before this, such as the 1991 *World Development Report, The Challenge of Development*. Additionally, as we saw with the *Sub-Saharan Africa* report (covered earlier in this chapter), which predates the 1991 WDR, an emerging emphasis by the Bank on the state was returning as early as the late 1980s. See Paul Cammack, ‘What the World Bank Means by Poverty Reduction and Why it Matters’, *New Political Economy*, vol. 9, no. 2 (June 2004), 191-192.
166 Rodan, Hewison and Robison, 12.
167 As Rodan, Hewison and Robison state: ‘it became difficult to ignore the fact that Asian industrialisation had often been accompanied by state intervention.’ Rodan, Hewison and Robison, 12.
explanatory exercise, it was to be one where institutions, and specifically an emphasis on institutional quality and its relationship to market operation – ‘good governance’ – were to play an important role in the attempt to resuscitate the multilateral organisations’ legitimacy. Indeed, welcoming the state back in, as both an institution and supplier of institutions, helped the Bank and others prior to the crisis explain the Asian miracle through the lens of neoliberalism. Here, emphasising institutional quality, through the language of good governance gave neoliberalism a way out of the apparent contradiction brought about by the crisis; if Asia’s ‘miracle economies’ were a model of neoliberalism at work why did they fail? The answer for them was largely one of institutional integrity. The following deals briefly with an elaboration of the two aforementioned problems sequentially and emphasises the rise of the role of institutions – which is a core element within SIN – by the Bank, the IMF and others to deal with these issues.

The development of the *East Asian Miracle* report, several years prior to the crisis, exemplified the tensions between the ascendant paradigm of Washington consensus-style neoliberalism and alternative readings of development, in particular those emanating from Japan. It also signalled a change in the Bank’s approach, presaging SIN’s consolidation, with its cautious reintroduction of the state and market-complementing institutions. Throughout the 1980s, Japan, with its strong domestic economic position, channelled significant amounts of aid and investment into East and Southeast Asia.168 Indeed, in the early part of that decade Japan had become the principal co-financier of World Bank loans and was the biggest supplier of bilateral aid to Asia. 169 It had also become, after the United States, the second largest shareholder in the World Bank.170 By the early 1990s it had become the world’s leading manufacturing economy and retained fifty percent of the world’s net savings, becoming the most significant source of foreign investment and also facilitating the financing of the US state’s deficits.171 Japan’s economic success and its development assistance placed it in an imposing position and it is understandable that Japanese officials, in particular those

170 Wade, 6.
171 Ibid, 7.
within the Ministry of Finance (MOF), felt that they had both something to offer the development landscape and a legitimate right to assert it.  

However, despite the impressive track record of the Japanese economy and the Japanese position in the global political economy generally at the time there was pressure within and upon the World Bank to severely limit the replication and reverence of policies that were seen as inimical to the ascendant neoliberal orthodoxy. Prior to the report, tensions had been growing between both Japan and the multilateral organisations and Japan and the US over development strategies. Much of this could be attributed to conflicting ideas over directed credit and alternative conceptions of the marketplace generally. In 1991 the Bank had restated a firm neoliberal line in that year’s *World Development Report*. The original drafts had been tempered by then chief economist and vice-president Lawrence Summers who had dismissed Japanese economists as ‘second rate’. While it was Summers who would introduce the term ‘market friendly’ in an attempt to tone down the extreme neoliberal position of the drafts, this wouldn’t be sufficient to placate the officials within the Japanese Ministry of Finance (MOF) who found the report far from moderate.

In attempting to rectify what was reasonably assessed by MOF officials as a sort of ideological myopia on the part of the Bank there was some effort undertaken to achieve recognition of the experience of Japan and other East Asian economies and their respective approaches to development. *The East Asian Miracle* report was envisaged as the document that would do this, however the initial hesitance on the part of the Bank to undertake the report was to be indicative of the apprehension associated with what was always going to be a politically complex undertaking given the divergent approaches of the main parties involved. It was funded significantly from a Japanese trust fund, and Stiglitz has asserted that the Japanese offer to fund it (together with the

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172 Wade has offered four core reasons as to why the Japanese government wanted to significantly challenge the paradigm of neoliberalism in addition to wanting to see its views made more evident in the Bank. Firstly, he has cited an ‘ideological conviction’ on the part of Japanese officials who believed in the potential benefit of interventionist policies and approaches. Secondly, there was an ‘organizational interest’; the Japanese Ministry of Finance deemed directed credit as one of its greatest post-war achievements and resented the Bank’s assertion that directed credit can never be efficacious. Thirdly, Wade emphasises national material interest; specifically the link between Japanese directed credit to South-East Asia and the development of a strong market position across the region which benefited Japan. Finally, he emphasises nationalist motives stemming from ‘…a sense of being judged inferior’. See Wade, 13 – 14.

173 See Wade for an explanation of the pressures upon and within the Bank. Wade, 14 – 17.


175 Ibid.

176 Ibid, 10.

177 Ibid, 10 – 12.

178 Ibid.
pressure they brought to bear on the Bank) was the only reason that it went ahead, it was of course to be a Bank publication. The conflict between the MOF and the Bank, and the Bank’s concern for neoliberal influences, meant that, in the words of Berger and Beeson, it ‘was a profoundly political document’.

Fitting the Asian ‘miracle’ into the neoliberal model while addressing MOF concerns was surely going to require ‘imagination’ on the part of Bank staff. For the Japanese this was probably more than slightly patronising if not intellectually offensive. But the final report, while clearly wedded to the neoliberal paradigm, was not an example of complete orthodox obstinacy on the part of the Bank. Indeed, as Wade has made clear, its final form was indicative of a ‘three-way tussle’ between the Bank’s research vice-presidency, its East Asian vice-presidency and Japan. Importantly, a concession by the Bank vis-à-vis government intervention and its role in economic development in Asia had been made in a significant Bank publication. Given the persecution of government (vilified for its alleged pecuniary irresponsibility, rent seeking and distortional influence upon the price setting mechanism) by neoliberals in the previous decade, this was no mean concession.

However the report’s emphasis upon neoliberal fundamentals was clear. The report emphasised the ability of the Asian economies to ‘get the basics’ right. Growth could be largely attributed to good macroeconomic management and the promotion of an environment that was conducive to private investment. The high performing Asian economies (HPAEs) had grown more rapidly than any other region and this remarkable growth had been surprisingly equitable. The sustained growth, coupled with reductions in inequality and the associated increases in life expectancy had to be explained within the Bank’s ideological framework. If neoliberalism and its prescriptions were universally applicable, then these countries couldn’t be ‘rationally’ explained in any other way. To assert otherwise would be to suggest that neoliberal prescriptions were highly questionable. This made the report more than difficult, presumably for both some readers and authors alike.

Nevertheless, the concessions that were made signalled another stage in the evolution of neoliberalism towards SIN. Indeed, Stiglitz later asserted that the

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180 Berger and Beeson, 495.
181 Wade, 23.
182 Wade, 23.
Asian Miracle report ‘stimulated the recent rethinking of the role of the state in economic development.’ The report’s acknowledgement of the state’s role in development did, however, treat the causal connections between state intervention and growth very carefully. For example, Lewis Preston’s foreword offers, rather timidly, that in certain situations intervention did contribute to growth but also carefully stipulates the importance of the ‘right’ institutional context as being as important to ‘success or failure as the policies themselves’. It is careful to provide the following disclaimer:

The market-oriented aspects of East Asia’s policies can be recommended with few reservations, but the more institutionally demanding aspects, such as contest-based interventions, have not been successfully used in other settings.

While Preston’s foreword refers to the concessionary elements of the report as ‘breaking new ground’, this is really only true in relation to Bank attitudes. There was at the time, and remains, a plethora of alternative readings of Asian development that emphasise the role of the state and the importance of institutions, with subsets of opinion emphasising certain elements over others.

While the report wasn’t as explicitly welcoming of the state as the later World Development Report 1997, it did illustrate the further expansion of the emphasis upon institutions into the neoliberal lexicon. For example, the institutional basis of shared (or more equitable) growth received a significant portion of attention in the report – one whole chapter. This chapter emphasised the importance of institutional mechanisms that facilitated the sharing of growth beyond non-elites. There was also an emphasis in the report upon universal education, land reform, and the proliferation of small and medium enterprises and public housing programmes in Singapore and Hong Kong.

The main case here was to make a correlation between political elites driving for ‘legitimacy’ and the institutional basis for shared growth that was posited to do this.

188 For an introduction to the debates see Rodan, Robison and Hewison, ‘Theorising Asia’s Boom Bust and Recovery’, cited previously.
189 World Bank, , The East Asian Miracle, 157 – 164.
Notably, a developed discussion of authoritarianism and the guaranteeing of ‘legitimacy’ – a reasonable focus for an analysis of East Asia’s development – is omitted. This is unsurprising when we see some of the elements that the *East Asian Miracle* report covers rather favourably. Illustrative of this, the sections in the chapter on ‘cooperative unions’ and the ‘insulated technocracy’ display a fondness for a depoliticised conception of institutions.\(^{190}\) For example, in the section on competitive unions there is tacit approval for limiting the political role of unions and supporting the ‘promotion’ of company or enterprise based unions. However, the report’s focus upon political technocracy is particularly revealing in relation to depoliticised institutional emphases (which are a staple of SIN). While it notes that the sharing of growth was important for guaranteeing legitimacy, it stipulates that *growth itself* was vital also. Crucial in this respect, the report argues, was the ability for technocrats to insulate themselves in an environment which allowed them to develop and implement ‘rational’ economic policies while being ‘isolated’ from vested interests.\(^{191}\) In short, the report’s message – one which continues to resonate in Bank work – is that institutions are good when they reduce political instability, and guarantee and encourage market transactions for economic growth.

Two years after James Wolfensohn’s arrival at the Bank in 1995, the organisation was making more explicit statements about the state within the *World Development Report 1997, The State in a Changing World*. Indeed, Wolfensohn’s foreword to the report is particularly illustrative of the functional role the Bank was now advocating for the state and institutions generally:

> History and recent experience have also taught us that development is not just about getting the right economic and technical inputs. It is also about the underlying institutional environment: the rules and customs that determine how these inputs are used. As this Report shows, understanding the role the state plays in the this environment – for example, its ability to enforce the rule of law to underpin market transactions – will be essential to making the state contribute more effectively to development.\(^{192}\)

\(^{190}\) One should be careful here. The use of the word ‘depoliticised’ is meant, in no way, to suggest that this conception itself is apolitical. On the contrary, it is merely a term used to describe institutions in a way that ignores their social and political embeddedness. Such a conception, here, is obviously borne out of a political perspective and has political repercussions and, thus, is inherently political.


In the report, which set in train a lasting thematic influence, the state fundamentally matters as a market complimenting device. As Leen Boer in a feature review for *Third World Quarterly* noted, the report essentially emphasises a two-part argument for the state. The first part emphasises matching a state’s activities to its capability. The second element of the argument focuses upon building state capability via a reinvigoration of public institutions. Crucially, capability and reinvigoration are both seen in relation to market function. The logic behind the first element, while ‘welcoming the state back in’, is indicative of the apprehension neoliberals have long held for the state:

*Matching the state’s role to its capability* is the first element in this strategy. Where state capability is weak, how the state intervenes – and where – should be carefully assessed. Many states try to do too much with few resources and little capability, and often do more harm than good. A sharper focus upon the fundamentals would improve effectiveness.

Capability here is defined as ‘*the ability to undertake and promote collective actions efficiently*’. Berger and Beeson posit the influence in this regard of ‘an extremely influential strand of predominantly North American theoretical literature centred on rational choice theory economics and the increasingly prominent position of institutional theory.’

Subsequently, the report is less than ambiguous with regard to what it sees as ‘*the first job of states*’:

Five fundamental tasks lie at the core of every government’s mission, without which sustainable, shared, poverty-reducing development is impossible:

- Establishing a foundation of law

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196 Berger and Beeson, 499. Notable here, is that Stiglitz, a key institutionalist figure, is partly credited for overseeing the general direction of the report. Douglass North and Dani Rodrik, both key institutionalist figures were also involved in the report’s production. World Bank, *World Development Report 1997*, iv.
Beyond this highly functional focus upon capability, the second part of the argument in the *World Development Report 1997* shows evidence of the rise of the importance of good governance (and later social capital and civil society) into Bank thinking. It is concerned largely with keeping the state in check.

Berger and Beeson have described the report as a significant departure from the Bank’s previous position. For them it is an important reference point for what has been ‘...the ongoing reinvention of liberalism in which the Bank has played an important role.’ What is important here is that the report demonstrates the shifting position of the Bank in relation to the role of the state. While earlier Bank reports posited a role for the state – *World Development Report 1997* expanded upon this, calling for an ‘increase in its capability’ – further specifying exactly what this entailed.

The increasing prominence of the Bank’s articulation of a role for the state and the attached emphasis upon good governance (in short the presence of a certain type and quality of institutions for the market) related to an increasing tendency to talk about ‘aid effectiveness’ within donor circles. Questions within this discussion related to the capacity (or lack thereof) for donors to generate policy change, the problems associated with aid conditionality, and broader debates about the benefits of development assistance generally. Wil Hout has noted how a now-famous World Bank working paper from 1997 by David Dollar and Craig Burnside and the influential 1998 Bank report, *Assessing Aid*, ‘gave new impetus to the discussion about aid effectiveness, and made a connection between aid and good governance.’ Within...
Assessing Aid it was specifically argued that aid worked best in environments of ‘healthy’ policy and particular institutional settings and that the ‘value’ of development projects was seen in their ability to improve institutions and policies in the interest of providing better services.\(^{206}\) Here the there was a strong push that fitted in neatly with the Bank’s repositioning as a ‘knowledge’ provider.\(^{207}\) Crucially related to this, the report also argued that, in environments that exhibited ‘poor policies’ and little appetite for reform, ‘idea dissemination’ and training, rather than money, were the best medicine.\(^{208}\)

Importantly, Assessing Aid was critical in drawing a link between aid ‘selectivity’ and good governance.\(^{209}\) The research illustrated by Dollar and Burnside and Assessing Aid buttressed a shift in the nature of conditionality, where aid allocation was increasingly linked to a particular country’s policy and institutional setting.\(^{210}\) This tendency to correlate aid allocation with policy and institutional factors, only became stronger as time went on, and it has been used by donors other than the Bank – such as the US Government’s Millennium Challenge Account.\(^{211}\) What is critical here, is that frustration with reform and aid performance were another subset of the issues faced by neoliberalism more generally, which encouraged a reassessment to take place in relation to the role of institutions and particular policy environments and their relationship to aid allocation. Combined with larger crises in the global political economy, many of the emphases within the aid effectiveness debate were only going to receive increasing attention in SIN’s ascendency.

The Asian crisis and beyond

1997 wasn’t just an important year because it significantly evidenced the systematic reaffirmation of the state by the Bank (in the form of that year’s World Development


\(^{208}\) World Bank, Assessing Aid, 2.


Report). It was also the start of a tumultuous period for the World Bank, the IMF and their critics, with the onset of financial meltdown in Asia. Analyses varied as to the causes of the financial catastrophe, which began in the middle of the year as a currency crisis in Thailand. However, neoliberalism, the IMF and the Bank came under significant fire. Some argued that the IMF and liberalisation policies had actually played a crucial role in the financial collapse. Specifically, in Indonesia, where corruption and cronyism was cited as a massive crisis-related problem, the Bank was heavily criticised for working closely with the Suharto regime (that was implicated in the state affairs) and failing in its monitoring and assessment duties. Furthermore, the remedial response that the IMF demanded of crisis-afflicted countries in Asia, in exchange for financial assistance, was heavily criticised by non-neoliberals and neoliberals alike.

For K.S. Jomo, the series of crises in Asia were in part the result of liberalisation undermining previous economic orders, at both a national and international level, rather than the sudden result of ‘crony capitalism’ and rent seeking. While crony capitalism and chronic rent seeking were often evident in the countries affected, the explicit causal connection between such behaviour and the onset of the crisis was seen as problematic. Crony capitalism was, after all, not a new phenomenon in Southeast Asia and critics of the neoliberal position asserted that different forms of ‘crony rentierism’ actually helped maintain growth in the region for decades. Stiglitz, while also not letting the countries off the hook entirely, explicitly stated sometime after the crisis that rapid financial and capital market liberalisation were its main causes, allowing irrational market optimism and then pessimism to exact their toll. In this analysis, Stiglitz was clear in partly implicating the IMF’s policies for being responsible for the onset of the crisis.

For the IMF, however, explaining the Asian meltdown came down to fundamental neoliberal concerns (such as large foreign debts and appropriate exchange


215 Jomo, 27.


217 Stiglitz, Globalization and its Discontents, 89.
rates) and, importantly, governance and the quality of a country’s institutions. Generally, the Fund highlighted the Asian crisis as an example of what happens when market laws are ignored and free markets are obstructed.\(^{218}\) Former IMF Managing Director Michel Camdessus (1987-2000) offered suggestions to avoid a similar calamity. These suggestions related to neoliberal macroeconomics, the role of government and tackling crony capitalism. In an article for *The Jakarta Post* in December 1997, Camdessus emphasised simple neoliberal (Washington consensus) themes, such as the need for countries with imbalances to take early macroeconomic action, and the importance of maintaining an appropriate exchange rate and exchange rate regime.\(^{219}\) Crucially however, he also highlighted the strengthening of market supporting policies, emphasising the role of institutions and the importance of accountability and transparency.\(^{220}\)

Indeed, throughout the Asian crisis, the language of ‘good governance’ was increasingly drawn upon by the IMF to emphasise the importance of providing a quality environment for liberal market operation. Here transparency and accountability were seen as key, although both concepts were narrowly contained to market function.\(^{221}\) For example, Camdessus stated at the time that ‘a broader consensus has emerged on the central importance of transparency and good governance in achieving economic success’.\(^{222}\) While governance had been on the agenda earlier,\(^{223}\) it was now part of an emerging and consolidating consensus between the IMF and the Bank on institutions, institutional quality and their association with the confidence important to market-led growth. Demonstrative of this, Stanley Fischer, former First Deputy Managing Director of the IMF stated:

> in many respects, Thailand, Indonesia and Korea do face similar problems. They have all suffered a loss of confidence, and their currencies are deeply

\(^{218}\) Rodan, Hewison and Robison, 18.
\(^{221}\) Morten Boås and Desmond McNeil, *Multilateral Institutions* (London: Pluto Press, 2003), 86; As Boås and McNeil have emphasised, governance is construed by the Fund in very narrow terms. As critics of the Fund have mentioned, ‘IMF assistance can apparently be withheld on grounds of financial mismanagement, but not for state torture and murder.’ Thus, good governance, transparency and accountability do not imply political transparency. Further, they correctly note that, what the IMF prescribes in the form of ‘good governance’ is what it refers to as ‘agreed best international practice of economic management’, and this essentially means neoliberalism. This is taken up in detail in chapter four of this thesis. Boås and McNeil, 86.
\(^{222}\) Boås and McNeil, 86.
\(^{223}\) Rodan et al, 19; Boås and McNeil, 87.
depreciated. Moreover, in each country, weak financial systems, excessive unhedged borrowing by the domestic private sector, and a lack of transparency about the ties between government, business, and banks have both contributed to the crises and complicated efforts to defuse it.224

The Fund’s programs to afflicted countries called for increases in interest rates (to target currency depreciation) and efforts to restructure the financial sector. But the emphasis upon the need to alter ‘the role’ of government for market operation was palpable:

Institutional changes are under way to strengthen financial sector regulation and supervision, increase transparency in the corporate and government sectors, create a more level playing field for private sector activity, and open Asian markets to foreign participants. Needless to say, all of these reforms will require a vast change in domestic business practices, corporate culture, and government behavior, which will take time.225

Yet, the IMF’s prescribed remedies for the crisis ran into significant difficulties. Firstly, there were major problems associated with the implementation of reform measures that were attached to bailout packages.226 Secondly, the pursuit of austerity measures often had serious side effects. Further to this, for some, the emphasis upon good governance was an all too convenient way for the IMF to explain the failure of reform programmes without critically analysing the prescriptions themselves.227 The Fund’s austerity push during the crisis provides an obvious example of just one of the problems that the organisation generated. For example, in Indonesia, IMF prescriptions had taken fiscal stringency to the extreme, removing petrol and rice subsidies at a time when income had been dramatically reduced and drought had seen millions of farmers facing

225 Fischer, ‘The Asian Crisis’.
227 Bøås and McNeil, 87
starvation. By late 1997, Stiglitz was making the case that the Fund’s austerity measures were only making things worse, in an environment where East Asian economies were already in surplus. Rising interest rates and heavily indebted firms coupled together to generate ‘a rash of bankruptcies.’ Overall, the Fund’s austerity measures were highly criticised by many as erroneous at best, and destructive at worst. This criticism stemmed from both inside and outside the orthodoxy.

Crucially, in terms of the political evolution of SIN, Stiglitz used the East Asian crisis and the earlier growth of East Asia as a springboard to substantively start an assault (within the confines of neoliberalism) on both the IMF, the US Treasury and the limited nature of Washington consensus policies, more generally. This was more than evident in one of his most important speeches in which he articulated his vision of the PWC, which used East Asia’s growth and then crash as examples for the need to expand neoliberalism. As will be made evident below, this assault only grew in its intensity as time went on.

However, while Stiglitz was pushing his vision for reinvigorating neoliberal development approaches, drawing upon East Asia in the process, he and others were testing the boundaries of the consensus between the Bank and the Fund. The criticism that he levelled at the promotion of IMF and World Bank policies in East Asia drew the attention of US Treasury Secretary Lawrence Summers, who called upon President Wolfensohn to ‘rein’ Stiglitz in. And while Wolfensohn and Stiglitz shared some affinity of ideas, Summers evidently made his (crucial) support for Wolfensohn’s

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230 Ibid.


232 He states: ‘The more dogmatic versions of the Washington consensus fail to provide the right framework for understanding either the success of the East Asian economies or their current troubles. Responses to East Asia’s crisis grounded in these views of the world are likely to be, at best flawed and, at worst, counterproductive. See Stiglitz, ‘More Instruments and Broader Goals’, 18-19; Stiglitz, after his term as World Bank Chief Economist also remarked, ‘I was chief economist at the World Bank from 1996 until last November, during the gravest global economic crisis in a half-century. I saw how the IMF, in tandem with the U.S. Treasury Department, responded. And I was appalled.’ Joseph Stiglitz, ‘The Insider: What I Learned at the World Economic Crisis’, The New Republic (April 17, 2000), 56.

second term as Bank President conditional on Stiglitz’s departure from the post of Chief Economist.\textsuperscript{234}

Further to this, the development of the draft of the \textit{World Development Report 2000/2001} and the departure its editor Ravi Kanbur (a high-profile development economist) prior to its completion, further demonstrated the pain associated with the Bank’s ongoing shift.\textsuperscript{235} The report, entitled \textit{Attacking Poverty}, and the conflict associated with its drafting clearly, demonstrated the unequal and uneasy uptake of some of the more progressive elements that were coming to the fore midway through Wolfensohn’s tenure. The draft contained plenty to upset US Treasury, groups within the Bank and the IMF, and several high profile neoliberal academics.\textsuperscript{236} Not only was it echoing some of Stiglitz’s criticisms with regard to the Asian crisis (and the opening up of capital controls), it stressed concepts such as ‘empowerment’, ‘security’ and ‘opportunity’, along with the more traditionally neoliberal mainstay of growth.\textsuperscript{237} Wade offers that the section upon empowerment was particularly controversial:

> Highly controversial, in IMF/World Bank circles, was the section on empowering the impoverished: how to create or scale up organizations of the poor – networks, cooperatives, trade unions and the like – so as to articulate their interests in the political and market realms; and how to make state organizations more responsive to their citizens.\textsuperscript{238}

It should be mentioned here that the tension associated with the \textit{WDR} was not the first time that there had been controversy over the annual report’s production.\textsuperscript{239} However,

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\textsuperscript{235} Wade, ‘Showdown at the World Bank’, 130.

\textsuperscript{236} Wade, ‘Showdown at the World Bank’, 131 – 132.

\textsuperscript{237} Ibid, 131.

\textsuperscript{238} Ibid.

\textsuperscript{239} Lyla Mehta has noted another example of conflict and tension arising over the production of an earlier WDR. Several key writers of the \textit{World Development Report 1998-99, Knowledge for Development} emphasised that the production team drew upon a ‘…particular economics perspective on how knowledge relates to development, consciously shying away from questions concerning epistemology, the sociology of knowledge, and knowledge-power linkages.’ Interestingly, this report is strongly associated with Stiglitz’s (and others) theoretical ideas and was carried out, in part, under his ‘general direction’. The production of the report is described as having been ‘…very controversial and marked by a lack of consensus among the team over what should be included and what should not. Certain consultants resigned in disagreement over the narrow approach adopted.’ Lyla Mehta, ‘Commentary, the World Bank and Its Emerging Knowledge Empire’, \textit{Human Organization}, vol. 60 no. 2 (2001), 192; World Bank, \textit{World Development Report 1998/1999, Knowledge for Development} (New York: Oxford University Press, 1999).
the draft in many ways represented the conflict between Stiglitz’s PWC (and some the more progressive factions within the Bank supported under Wolfensohn’s tenure) and the more conservative, though now institutionally focused, Washington consensus neoliberals within the Bank, US Treasury and the IMF. Interestingly, many of the foci that were controversial in the WDR draft resonate very strongly with the work of Stiglitz and its intermeshing and compatibility with some of the work associated with the social development section of the World Bank. Here, conflict was arising over the ascendancy of a form of neoliberalism that now had a place for social institutions and their ‘social capital’, and promoted more expansive forms of participation, a stronger ‘role’ for civil society. In relation to participation and empowerment, the draft of the WDR had been heavily associated with the ‘Voices of the Poor’ project, also known as ‘Consultations with the Poor’. This was an initiative that the Bank had run for some time, based around participatory processes that involved 60,000 people, and which was run to allow the views of the poor ‘to inform and contribute to the concepts and content’ of the WDR. The Bank had received positive responses for ‘Voices’, and, notably, it was lead by Deepa Narayan, a key figure in the Bank’s growing work on social capital.

However, the draft created a storm with orthodox neoliberals, around the same time that protesters were descending on Washington for the annual IMF – World Bank Spring Meetings, in April of 2000. After pressure from the US Treasury over the draft, and Wolfensohn urging Kanbur to alter the report more in line with Treasury’s requests, Kanbur resigned in late May of that year. The published version of the report reintroduced Washington consensus elements in a more robust way:

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240 Such as the social development element within the Bank. Gloria Davis’s history of the World Bank’s Social Development Network states of the WDR, ‘The WDR 2000/2001, Attacking Poverty, eloquently articulates and positively reinforces a social development perspective and places social considerations in the forefront of the poverty reduction agenda.’ She states that the report goes beyond past WDRs and that it effectively links ‘the economic and social agendas in the fight against poverty.’ Davis, ‘A History of the Social Development Network’, 33.

241 See the case study in chapter eight for an example of a large-scale poverty reduction project that incorporates many of the foci pushed by the social development staff.


243 Wade, ‘Showdown at the World Bank’, 132; World Bank, ‘Voices of the Poor’.

244 Narayan’s work on social capital is covered in chapter four.


246 Ibid, 133 – 134.
In the end, the Report was published with three substantive changes. First a chapter was added on growth and poverty, even though, in the eyes of some, its Washington Consensus message was inconsistent with the rest of the argument. Second, the chapter on free-market reforms and unemployment, ‘Making markets work for the poor’, no longer emphasized the need for the prior establishment of social safety nets but called for them to be put in place ‘simultaneously’ with labour-shedding reforms – which might provide more excuse to delay them altogether. The original emphasis on other hazards of free-market reforms was also softened, and that on their benefits strengthened. Finally, the long section on the need for capital controls was cut to a fraction of the earlier draft’s… . The need for a ‘cautious approach’ to liberalizing financial markets was substantially watered down, with capital controls now appearing only as transitional measures en route to free capital markets. This last change was particularly dear to treasury’s heart.247

Yet, the report’s final version did allow some of the social development content to get through. Indeed, the report’s bibliography contained many references to important figures, both within the World Bank and outside it, associated with the work on ‘social capital’.248 Importantly in this regard, there was a whole chapter devoted to ‘Removing Social Barriers and Building Social Institutions’ – which contained a substantive section on social capital.249 The maintenance of this chapter within the section on ‘empowerment’, signalled that, despite the hostility of orthodox neoliberals, some of the social influences on the Bank could get through in a limited way. However, like the earlier focus upon political and economic institutions, they had to be sufficiently placed within the dominant neoliberal framework and subordinated to roles associated with generating growth and facilitating market access and participation.

In the first half of 2000, not only was the Bank submerged in the conflict surrounding the WDR and the protests surrounding the Spring Meetings, but a report of experts appointed by the US Congress had emerged that was heavily critical of both the Bank and the IMF.250 The so-called ‘Meltzer Report’, (named after the chairman of the

248 The work of people such as Christiaan Grootaert, Michael Woolcock and Robert Putnam (all of whom are covered later in the thesis, appears as influential in the bibliography. World Bank, World Development Report 2000/2001 (New York: Oxford University Press, 2001), 221 – 266.
committee that produced it, Allan Meltzer), was generally critical of the Bank for ‘overstepping its mandate and failing to direct resources to the poorest developing countries.’ Of the Bank, the report stated:

At the entrance to the World Bank’s headquarters in Washington, a large sign reads: ‘Our dream is a world without poverty.’ The commission shares that objective as a long-term goal. Unfortunately, neither the World Bank nor the regional development banks are pursuing the set of activities that could best help the world move rapidly toward that objective or even the lesser, but more full achievable, goal of raising the living standards and the quality of life, particularly for the people in the poorest nations of the world.

As Pincus and Winters note, this attack ‘gave voice to’ conservative legislators who wanted aid used more selectively and an increased reliance upon private capital flows in approaches to development. In short, the report recommended that the World Bank, along with the other regional development banks, should move away from capital transfers and become ‘sources of technical assistance, providers of regional and public goods, and facilitators of private sector resources to the emerging countries.’ It also suggested an important role for the development banks (including the World Bank) was to encourage ‘institutional reforms that permit growth, development and release from poverty’ – a process that the Report wanted linked to external auditing and certain conditionalities.

However, what was perhaps most revealing in the case of the Meltzer Report was the resistance of the US Treasury to its suggestions. While Treasury had had its difficulties with the Bank (or, more specifically, elements within it), it was now determined to articulate its support for both the Bank (and the Fund) in the face of the Meltzer Report criticisms. Here, the defense of organisations perceived by Treasury to be at the forefront of defending US interests was paramount. In reply to the report’s

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255 Ibid, 12 – 13, 82.
recommendations, it was less than ambiguous. Indeed, a Treasury statement made it clear that it saw the Bank and the Fund as the ‘most effective and cost-efficient means available to advance US policy priorities worldwide.’256 It thus disagreed fundamentally with the majority of the Meltzer Report’s recommendations, which were portrayed as having the potential to weaken the multilateral organisations and, therefore, their promotion of US interests.257 This fact is also interesting in light of Treasury’s determination to shape the draft of the 2000/2001 WDR at around the same time.

By the World Development Report 2002, Building Institutions for Markets, over a decade of contested narrative development within and over neoliberalism had taken place. In the report’s foreword, Wolfensohn talked of innovating to ‘…identify institutions that work – and those that do not.’258 He continued: ‘Countries can gain from expanding successful public innovations and adopting private innovations. But they must also have the courage to drop failing experiments.’259 Another one of the key points in the foreword is the focus upon connecting communities of market players through information flows and open trade. This, it is emphasised, creates a ‘demand’ for institutional change.260 While the report underlined that there is no one, unique, institutional structure that guarantees market-led development,261 it reiterated the functionalist line, built up over previous the decade, of institutions as market-supporting structures. The report assembled many of the elements covered earlier in this chapter relating to institutions and markets, and presented some rather vague propositions on ‘building institutions’. Crucially, despite Stiglitz’s unglamorous departure, the ideas within the report resonated with both his theoretical approach.

257 US Department of the Treasury, quoted Soederberg, 72.
259 Wolfensohn, ‘Foreword’, ibid, vi. The question of who ‘innovates’, what is innovation and who decides what is failing are taken up in subsequent chapters of the thesis. The framework within this thesis rejects the depoliticised and voluntarist analysis of institutions that the WDR 2002 and other WDRs champion. After all, institutional experiments might be failures for some but of benefit to others. Corrupt institutions or institutions that are insular and exclusionary, for example, aren’t known for being good at critical self evaluation. They may not be easily held accountable by others, such as elements of civil society, either. These elements may be too weak or, indeed, complicit in the current institutional arrangement and therefore either unable or uninterested in ‘dropping a failing experiment’. See the next chapter for a more detailed critique of SIN approaches to institutions.
260 Wolfensohn, ‘Foreword’.
(relating to the economics of information, which is discussed in the next chapter), and many of his pronouncements when he was the Bank’s Chief Economist – especially in relation to deep societal change.  

Conclusion

By the early part of the first decade of the new millennia, the Bank had firmly carved out its position on institutions – especially political and economic ones. However, it was now more interested in ‘the social’ too. For example, it was now making much louder noises about participatory processes and civil society. In much synergy with the argument made above for the evolution of SIN, although with less overt reference to the role of specific conflicts, Soederberg explained the Bank (and the Fund’s) efforts as part of a ‘passive revolution’ in response to the contradictions of neoliberalism over time:

…the recent attempts of the IFIs to recast themselves as invaluable and democratic institutions are closely linked to growing criticism of their effectiveness in managing free capital mobility in the South. The production by the IMF and the World Bank of copious, cross-conditional second generation reforms (SGRs), such as the Poverty Reduction Strategy Papers (PRSPs), the Comprehensive Development framework (CDF), and the Poverty Reduction Growth Facility (PRGF), are examples of a passive revolution that is attempting to freeze the contradictions created by two decades of top-down, economistic and growth oriented policies.

The passive revolution that Soederberg describes, of course refers to the Gramscian notion of a period of history where a ‘crisis of authority’ is observed and battles ensue relating to the reorganisation of state power, although without a fundamental change in social structures. The formation of SIN and the associated


263 Susanne Soederberg, The Politics of the New International Financial Architecture: Reimposing Neoliberal Domination on the Global South (London: Zed Books, 2004), 72. The specific elements that Soederberg refers to, such as the PRSPs and the CDF are covered in chapter five.

shifts at the Bank, responding to both the contradictions and conflict inherent in earlier neoliberal approaches, can be understood succinctly in such a way.

Importantly, non-paradigmatic change continues to be evidenced in neoliberal approaches to development. For example, in 2003, former World Bank Chief Economist Nicholas Stern (2000 – 2003) urged a more cautious approach to private sector involvement in some traditional public sector services.\(^{265}\) His successor, Francois Bourguignon, emphasised concern for social inclusion and equity.\(^{266}\) And, importantly, in 2003, the Fund toned down its unreserved endorsement of capital account liberalisation.\(^{267}\) However, such emphases – when set against the Bank’s broader push – are merely more evidence of the ongoing crisis of legitimacy (or crisis of authority) within the evolution of neoliberalism. Indeed, they compliment the problems associated with the earlier Washington consensus that assisted in generating SIN.

This chapter has charted the contested evolution of neoliberal development policy, in order to explain the ascendancy of SIN. It has argued that change can be seen in neoliberalism and that evidence exists to explain this change. The shift to this new form of neoliberalism has been especially obvious in the growing emphasis placed upon institutions and the increasing focus upon areas such as participation and the social conditions required for neoliberal reform. What we are left with after several decades of contested and contradictory neoliberalism is a form of neoliberalism that is both distinct and remains in the ascendant, and which is promoted by those who have an interest – material or ideological – in the reproduction of a particular type of global capitalism. Within this new form of neoliberalism the market is just as central as it always was. Indeed, a case could be made that it is even more central than it previously was, for it exhibits a pathological concern with the market’s ‘deep embedding’ through institutions and the wholesale reconfiguration of social relations in line with establishing and maintaining a liberal market system. However, in this task, civil society and participatory process are drawn into the neoliberal reform project in an

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attempt to maintain hegemony of the paradigm and extend its influence through concrete reforms. It is here that SIN really distinguishes itself from earlier forms of neoliberalism. It is not just an array of policies to be adopted – it also includes an array of new delivery devices and political technologies (which reframe notions of conditionality) to assist with policy promotion and adoption.
Chapter 3

The Theoretical Underpinnings of SIN

The previous chapter charted the politico-historical ascendancy of SIN. It argued that SIN was the product of contestation and crisis, within and over neoliberalism. In this story, critical events and key actors played important roles, responding in various ways to problems with neoliberal policy implementation and dilemmas of explanation. In order to deal with the ever-increasing crisis of legitimacy that neoliberal development faced, there was an ascending importance placed upon the role of institutions in market operation. This growing emphasis by the multilateral financial organisations on institutions was borne out in both the World Bank’s annual *World Development Reports* and in the IMF’s explanation of the Asian crisis. In many ways, considering the role of institutions in relation to market operation presented neoliberal proponents with a core weapon in the re-legitimisation of market-led development in a period where it was on the ropes.

This increasing emphasis by the World Bank upon institutions has been highly influenced by a distinct theoretical lineage of institutional analysis, broadly known as new institutional economics (NIE). Given NIE’s central influence upon SIN, it is crucial that we critically evaluate the approach. NIE proponents essentially view institutions as critical to reducing ‘transaction costs’ within liberal markets. It is an approach that partly modifies some of the assumptions of neoclassical economics (the assumption of rationality, for example) and argues that individuals require particular structures that minimise the costs (risks) associated with conducting market transactions. The approach is associated with highly influential academics such as Douglass North, Oliver Williamson, Joseph Stiglitz, George Akerlof and others. In a

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268 New institutional economics is also synonymously referred to elsewhere as ‘neoinstitutional economics’.

269 I have drawn upon Pranab Bardhan’s distinction of the ‘transaction cost’ and ‘imperfect information’ schools in providing a conception of NIE. As will be elaborated later, Douglas North, Oliver Williamson, Amen Alchian, Harold Demsetz and others have contributed to the transaction cost school significantly, while Joseph Stiglitz, George Akerlof and Michael Spence, among others, have contributed to the imperfect information literature in formative ways. See Pranab Bardhan, ‘The New Institutional Economics and Development Theory: A Brief Critical Assessment’, *World Development*, vol. 17 no. 9 (1989), 1389.
formative sense, NIE owes much to the work of Coase and his theory of ‘the firm’ dating back over seventy years.\textsuperscript{270}

Given NIE’s core influence upon SIN (a point that will only become more evident throughout this thesis), this chapter takes a critical look at this now-dominant approach to understanding institutions. The chapter begins by introducing some of the core elements within NIE and explaining the theoretical dilemma that prompted theorists working within the approach to refine orthodox economic assumptions. Indeed, what is particularly evident is that just as institutions were useful to neoliberal proponents interested in re-legitimising market-led development, NIE (as we will see below) actually stemmed from a similar dilemma of legitimacy – or theoretical gap – for neoclassical economics. Here, Coase’s theory of the firm is a seminal influence.

However, the explanation used to plug this theoretical gap has distinct problems which make NIE analytically deficient. This is highly significant given that the approach is so influential on many of the so-called poverty reduction policies and programs within SIN (as we will see in the next chapter and beyond). NIE practitioners, working within the confines of orthodox economics, sought to explain why certain structures like the firm were present, despite the radical individualism postulated in the tenets of neoclassical economics. The reason offered was to be found in the logic of transaction costs. Yet, this has generated an approach to understanding institutional function nearly completely devoid of any recognition or analysis of power. In this regard, NIE posits a functionalist role for institutions in relation to facilitating liberal market efficiency, rather than presenting us with a framework for understanding institutional form and operation. This trait is genetically inherited by SIN at a policy level.

Crucially, NIE’s functional bind makes it weak in assisting us to understand institutions. Such a task requires us to move beyond the politically-anaemic language of transaction costs, politicising seemingly technical notions of efficiency. Such an analysis must necessarily delve into the issues of efficiency of what and for whom. Subsequently, the penultimate section of the chapter presents social conflict theory as a

\textsuperscript{270}Coase, like others covered here, was a recipient of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel in 1991. Of the others mentioned in this chapter, Akerlof, Stiglitz and Spence received the prize in 2001, North received it in 1993 and Becker received it in 1992. This prize is commonly referred to, somewhat erroneously, as the Nobel prize in economics, when, in fact, the prize in economics is not a Nobel prize. See Nobelprieze.org, ‘All Nobel Laureates’, available online: \url{http://nobelprize.org/nobel_prizes/lists/all/all_laureates_cd.html}, accessed February 5, 2007; See also ‘Qualified Nominators – The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel’, available online: \url{http://nobelprize.org/nomination/economics/nominators.html}, accessed February 5, 2007.
preferable analytical tool to NIE for analysing institutions. Here it is argued that rather than transaction cost reducing devices, institutions – including the market – should be considered social structures that allocate power in asymmetric ways. Here, power – and in particular, class power – constitutes the most important variable in analysis. This analysis suggests repercussions (which are taken up further in later chapters) relating to the very capacity of organisations like the World Bank to implement reforms and, where they are implemented, the assumptions made about the outcomes of such reforms.

‘The firm’, NIE and the modification and extension of neoclassical economics

NIE has arguably had the most significant impact on the study of political economy in the last fifteen years. For Douglass North, one of its leading proponents, NIE seeks to modify and extend the contributions made by neoclassical economics, attempting to incorporate a theory of institutions into economics.271 Within the approach, institutions are explicitly concerned with the lowering of transaction costs – a concept that stems from Ronald Coase’s essay (from 1937) that looked at ‘the firm’ and posited a reason for its existence.272

From this approach, transaction costs exist between transacting or potentially transacting parties, and are perceived as arising from incomplete and asymmetrically dispersed information and or the divergent mental models of agents who have differing conceptions of the way in which the world in which they operate works.273 For example, when two parties enter into a potential transaction neither party has complete information about the other. Such information can help each respective party determine whether the transaction would be a good transaction (where neither party reneges on its part of a deal) or a costly one to enter into (where one party doesn’t adhere to its part of the bargain). In such a situation, systems of law (incorporating contracts), for example, can provide incentives and disincentives for both parties to adhere to the terms of their agreement, thus lowering the risk of breeching an agreement. Thus, the transaction cost-

273 Harriss, Hunter and Lewis, ‘Development and Significance of NIE’, 3.
reducing function of institutions is seen as potentially contributing significantly to the efficient operation of markets. This is a crucial point, charting as it does a functional role for what are quintessentially socially embedded structures.

North, indicative of NIE theorists, views institutions as the ‘rules of the game’ or, more specifically, ‘...the humanly devised constraints that shape human interaction.’ For North, NIE retains the neoclassical assumption of scarcity and competition while challenging the underlying assumption of rationality, which he contends made neoclassical economics an ‘institution free’ approach. While the modification is important, what is retained shapes the transaction cost approach within NIE significantly, as we will see below. In a world where unlimited rationality cannot be presupposed, individual mental capacity is limited and information is presumed to be incomplete, institutions are suggested by North as the inevitable structures that are constructed by humans to facilitate exchange. He notes that the structures that evolve may not be ‘efficient’, with ideational impact being influential on choices made and the existence of transaction costs generating imperfect markets.

The reality of incomplete information and the varied mental models of individuals – partially attributed to cultural transfer of differing values, norms and knowledge among ethnic groups and societies – and their limited capacity is asserted by North to determine the cost of transacting. This, in turn, posits a reason for the existence of institutions – they reduce risk and uncertainty and thus reduce transaction cost in the exchange process. These are the fundamental building blocks of the NIE approach – although its nuances will be elaborated upon later. It is methodologically individualist – like neoclassical economics – and while it provides both a theory for why institutions exist, their potential influence and asserts the importance of social and

277 Ibid.
278 Ibid, 18.
279 Ibid.
280 North asserts this methodological individualism clearly, implying that it has the potential to methodologically ‘homogenise’ social science research: ‘Building a theory of institutions on the foundation of individual choices is a step toward reconciling differences between economics and other social sciences. The choice theoretic approach is essential because a logically consistent, potentially testable set of hypotheses must be built on a theory of human behavior. The strength of microeconomic theory is that it is constructed on the basis of assumptions about human behavior… . Institutions are creations of human beings. They evolve and are altered by human beings; hence our theory must begin with the individual. At the same time, the constraints that institutions impose upon individual choices are pervasive. Integrating individual choices with the constraints institutions impose on choice sets is a major step toward unifying social science research.’ See North, *Institutions, Institutional Change and Economic Performance*, 5.
cultural factors – mainly as a justification for why institutions are required – it is a politically deficient analysis. NIE updates neoclassical economics, emphasising the importance of structures that facilitate exchange, but it provides little indication as to how societies beset by the desperation and scarcity of underdevelopment set up ‘efficient’ versions of these structures. It also underestimates the tendency for such structures to represent the interests of certain groups and, in particular, specific classes or fractions thereof.

To talk generally about NIE without elaborating its detail and history would mean omitting important information that provides an indication of its influences, its political position and the source of its deficient analysis of power. As noted above, the NIE approach to institutions, and in particular the logic of transaction costs, is derived significantly from Ronald Coase, firstly, through his explanation for the existence of ‘the firm’, and secondly, through his essay, ‘The Problem of Social Cost’, which was influential in connecting ‘…institutions, transaction costs, and neoclassical theory.’ Coase sought to fill an important gap within neoclassical economics which related to the existence of institutional ‘decision makers’ rather than, simply, rational individuals. The logic that ‘filled’ this gap became the kernel of the NIE – transaction costs. Bates has succinctly described the gap in logic, or ‘crisis of embarrassment’ as he terms it:

Given the centrality of radical individualism, it was profoundly embarrassing to modern economics that in its models market forces did not rest on the choices of individuals. On the side of demand, households made consumer choices; on the supply side, production decisions were made by firms. Neoclassical models analysed the choices of these entities as if they were made by individuals. But even Milton Friedman’s (1953) spirited defence of ‘as if’ explanations served only to paper over the basic reality: that the social science most profoundly committed to radical individualism rested on ‘collective’ foundations.

282 Chang notes that industrialised countries erected many of their institutions at a relatively late stage in the development process. He suggests that the promotion of neoliberal institutions as a fix it may well be a ‘sequencing error’ with major negative repercussions for developing countries. See Ha-Joon Chang, ‘Institutions and Economic Development in Historical Perspective’, in Ha-Joon Chang (ed.), Rethinking Development Economics (London: Anthem Press, 2003), 515.
In attempting to solve this paradigmatic ‘bug’, Coase explained the existence of the firm as being explicitly connected to the reduction of cost associated with using the ‘price setting mechanism’. Essentially he posed a simple question. If the price setting mechanism is the most efficient manner in which to organise resource allocation between economically self interested individuals why would it be circumvented by the entrepreneur or coordinator within the firm? For Coase the answer is that there is a cost associated with determining prices – there is a cost associated with using the price setting mechanism. Coase argued that firms exist because they reduce cost through internalising operations that would otherwise require expensive contractual arrangements – along with all the associated structures that these arrangements rely upon – due to the incomplete information and risk that is associated when two or more separate parties transact. Even when parties are bound by contractual agreements, property rights are well defined and structures of recourse and regulation are established with the power to mediate and settle disputes – using this comes at significant cost to commercial entities. For Coase, internalising operations within the firm is a logical response to minimise this inevitable cost.

Before we move on from Coase’s seminal insight to see just how it influenced later thinking, it should be pointed out that this description suffers from two fundamental thematic flaws – exhibiting a tendency to be both depoliticised and highly reductionist. Indeed, politics in the Coasean firm is completely undervalued and such an abstracted and politically deficient description is highly problematic. To talk of ‘the firm’ as a relationship eventuating from the cost of ascertaining price misses some important factors, perhaps not from the perspectives wedded to classical economics but surely for those of critical political economy.

Crucially, any conception of the firm that fails to incorporate a theory of interests, both within the firm and within a broader social context leaves much to be

286 Coase acknowledged that while firms do not eliminate contracts they do reduce them significantly. Coase, ‘The Nature of the Firm’, 39; Additionally, Coase also noted that firms minimise costs in other ways – for example, internalising transactions within the structure often means that governments do not tax that transaction as they might if the transaction was outside the firm and thus subject to sales tax. Coase, ‘The Nature of the Firm’, 41.
287 In stark contrast to Coase, Barbara Harriss-White has offered a non-abstract conception of the firm as a political unit, similar to the one that I detail below: ‘The hierarchy is manifest in the firm. Far from being a consensual unit, an “island of coordination in a sea of market relations”, the firm is a governance structure bristling with micro-politics; “a combat unit designed for doing battle in the market”, with hierarchical controls to maintain internal discipline in ways which benefit the owners.’ See Barbara Harriss-White, ‘On Understanding Markets as Social and Political Institutions in Developing Economies’, in Ha-Joon Chang (ed.) Rethinking Development Economics (London: Anthem Press, 2003), 489.
desired. Reasons for the existence, size and ‘behaviour’ of firms and the relationships within them, can be better conceptualised in a political and social analysis. For example, firms can be seen as evolving in response to myriad influences – the ideational and motivational influences of specific people within the firm and price fluctuations for example – across time. Vitally, they are political units – hierarchical in nature (characterised by a division of labour and power asymmetries) which allow owners to maximise opportunities. They are constructed over time by key individuals, families and groups with particular beliefs, ‘world views’ and, crucially, class-related interests. For example, owners and managers within the social arrangement of ‘the firm’ have vastly different interests and allocations of power to other employees. Finally, firms are often hierarchically ordered against one another (although they do form coalitions of mutual interest at times) and other organisations and institutions in a complex amalgam. As we will see in the discussion of the NIE below, if Coase’s firm was going to provide a basis for analysing social organisation such foci would have to be incorporated.

While the Coasean approach to the firm suggests an explanation helpful for resolving tensions within classical economic theory, it fails to adequately elucidate the conflicting, competitive and acquisitive pressures of capitalist markets (exerted by other firms, governments and consumers, and the employee/employer dynamic) that might provide alternative explanations for the firm’s existence and size. It is essentially an explanation for the integration of processes (internalisation) in relation to price. Yet even if we were to accept that the firm exists to reduce costs associated with using the market by internalising operations, a socially accurate analysis requires significantly more detail. After all, which firms can internalise which processes at certain times and who decides those operations that are to be internalised or externalised? And, perhaps most important of all, who benefits most from the reduction in cost associated with internalising or devolving processes?

Importantly, the firm provides a strategic structure of advantage in a competitive market environment for its owners. While Coase hints at some of these relationships, 289

288 Coase defines the firm as hierarchical. However this is an understanding of hierarchy that sees it as an alternative mode of organisation to the market. It is synonymous with what is often described as vertical integration. I use hierarchy here to mean an ordering of power. Using such a definition I see both markets and firms as hierarchical structures.

289 Samuel Bowles and Herbert Gintis note this, stating, ‘Ronald Coase [1937], by contrast, made incomplete contracts central to economics, noting that economic transactions take place within the firm when they can be effected at lower cost through the hierarchical command, in which the employee carries out the employer’s directives, rather than through market exchange.’ They then elaborate the characterisation of this relationship by Marx, ‘Karl Marx had presented an analogous view of the capitalist firm a century before, distinguishing between what is contracted for (the wage) and the
just as North hints at the importance of power in his discussion of institutions as we will see later, the respective ideological starting points of key NIE practitioners impede their descriptive analyses, undervaluing and ignoring the socially embedded and structured nature of both ‘the firm’ (for Coase et al.) and institutions more generally (for North et al.). Indeed, it is an exercise in extreme abstraction to assert that the firm simply exists to reduce costs. After all, are costs reduced for all those within the firm? Is it just a matter of rational calculation to determine what constitutes reducing cost or do ideology and narrow self-interest and relative power play a central role? In short, the concept of transaction cost is conceptually limited, merely undergirding a stylised analysis of the firm that refines problematic neoclassical economic assumptions, rather than dispense with them.

A counterview of Coase’s conception of the firm, could argue that firms are social structures where power matters both internally and externally – it conditions their existence, their form, size and effect. Furthermore, the reduction of transaction cost, as a result of internalising operations, doesn’t occur equally for those within and without. Firms exist in competition with other firms and in this scenario an understanding of power is essential as a force that both impedes the interests of some and facilitates the interests of others. Internally, the hierarchical nature of ‘the firm’ means that it isn’t just a reflection of its constituent parts equally resulting in general efficiency – it is an image that is shaped by some parties more than others, for some parties more than others. What matters here is that stylised conceptions of ‘the firm’ chronically undervalue political facets and realities, couching the discussion in the sterile language of transaction costs. Transaction cost becomes an abstract concept where the connections and description that could give it a realistic grounding never get elucidated. The firm (like any social relationship) can only be understood concretely and critically by analysing its internal and external relationships, politically. Indeed, it is these that give it form. This critical observation becomes even more important when North, Williamson, Stiglitz and others (including Coase himself) extend Coaseian insights associated with transaction costs to a theory of institutions.

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service delivered (the activity of work itself), which is not subject to contract but rather, as Marx put it, is ‘extracted’ by the employer’s exercise of authority.’ Samuel Bowles and Herbert Gintis, ‘Walrasian Economics in Retrospect’, Quarterly Journal of Economics (November 2000), 1420.
From ‘the firm’ to NIE through the logic of transaction costs

It has been argued above that the transaction cost approach to understanding ‘the firm’ negates many factors – most centrally, the importance of power. Not surprisingly, the NIE approach that draws so significantly from transaction cost logic inherits the very same ailments. What it leaves us with is a set of tools that partially explain why certain social structures might have arisen and what benefits certain conceptions of structures might provide. However, questions associated with influence and interest remain as pertinent as ever. The NIE approach, almost unconsciously, suggests a focus upon certain institutions (those associated with liberal capitalist organisation) over others. Ironically, this may indeed provide some insight into the way in which particular institutions are established and evolve, especially in relation to ideology and class power. Interestingly, however, the approach provides little insight in to how to build particular institutions. To discuss such issues of institutional embedding (or failure to embed) actually requires a qualitatively different understanding of the role of interests in institutional evolution and operation to that of NIE.

Pranab Bardhan has noted two distinct strands within the NIE approach that share substantive compatibilities and some distinct differences: the so-called ‘transaction cost’ school exemplified by North, Williamson, Demsetz and Alchian and the ‘imperfect information’ school led by Stiglitz, Akerlof and Spence. As Bardhan observes, the two schools share a certain compatibility through the logic of transaction cost ‘…since information costs constitute an important part of transaction costs’. They both attempt to rectify problems within classical economics by introducing institutions as market facilitating devices and by questioning the assumption of basic rationality as a reason for institutional development. This ‘mission task’ colours the analysis significantly, painting a generally functionalist picture of institutions that sees liberal markets as a primary focus and certain conceptions of ‘important’ institutions as a compliment to their efficient operation.

For North, it is important to understand the ways in which economies develop through time – not just the way they operate at any one point in time. This is an acknowledgement of the deficiencies of neoclassical economics for providing insights into the way in which economic development actually takes place. However, it is not a denial of classical economics per se, rather, more of an upgrade which is used to

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291 Ibid, 1390.
promote a certain institutional blueprint. In the Northian view, the two major problems with the approach of classical economics relate to its negation of institutions and its failure to introduce the dimension of time.\textsuperscript{293} In contrast, the new perspective retains the assumptions of scarcity and competition and the tools of microeconomics and it adds time and modifies the behavioural assumption of rationality that is so important to methodologically individualist approaches.\textsuperscript{294} It is vital to note here that it does not dispense with the notion of ‘rationality’ that so significantly underwrites much of neoclassical economics – it simply adjusts it, toning down the rigid conception of before in order to explain why institutions are created and, indeed, necessary. Here, the concepts of ‘bounded’ or ‘constrained rationality’ are vital elements within the NIE approach:

Individuals typically act on incomplete information and with subjectively derived models that are frequently erroneous; the information feedback is typically insufficient to correct these subjective models. Institutions are not necessarily or even usually created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules.\textsuperscript{295}

This quote from North encapsulates the NIE explanation for institutions – the need to get around the subjectivity of individuals and the reality of limited information in order to better facilitate exchange – and introduces the propensity for institutions to be socially inefficient, created to accommodate the interests of the powerful.\textsuperscript{296} The last of North’s points has significant repercussions for, firstly, building institutions in a particular image and, secondly, how we should generally conceptualise institutional function. Somewhat ironically, however, NIE approaches don’t take such factors into consideration in any substantive sense. Rather, an assumption of the inherent benefits of individualist organisation leads to the advocacy of particular institutions as sensible.

The transaction cost approach to institutions tends to conceive of particular types of institutions (systems of property rights and rule of law, for example) and

\textsuperscript{293} Ibid.
\textsuperscript{294} Ibid.
incarnations of those institutions as generally beneficial to the market (which is implicitly assumed to be an intrinsically good institution), despite the evidence that institutions (including the market) can be both empowering for some and marginalising for others. The approach downplays the conflict evident between institutions (and organisations) and those who compete to affect and ‘build’ them. Its complete neglect of class power in this regard is innate and this substantively diminishes its utility as an approach for understanding institutional form and function.

The second important school within the NIE is that of ‘imperfect information’. Bardhan has encapsulated the relationship between this school and the ‘transaction cost’ school well:

The imperfect-information theory of institutions is closely related to that of transaction costs, since information costs constitute an important part of transaction costs. But the former theory is usually cast in a more rigorous framework clearly spelling out assumptions and equilibrium solution concepts, drawing out more fully the implications of strategic behavior under asymmetric information and sharply differentiating the impact of different types of information problems. Imperfect-information theory yields somewhat more concrete and specific predictions about the design of contracts, with more attention to the details of the terms and conditions of varying contractual agreements under varying circumstances, than the usual presentations of transaction cost theory.297

For Stiglitz, writing within this school in the late 1980s, individual rationality (reasonably consistent behaviour) could still be assumed.298 However, a critical assumption for this approach is that information is costly and this means that individuals will not attain ‘perfect information’, which is seen as having an important behavioural impact, contrasting with how the individual might have behaved if they had perfect information.299

From this perspective, certain institutional structures ameliorate the problems that a lack of information, or uncertainty about its quality, generate. Thus, signals that convey information – such as guarantees for products, or the amount of education that a

particular individual has received (indicating potential ability) – are important devices highlighting the centrality of information to market operation. The reality that individuals might want to conceal information (when it is to their advantage to do so) is also emphasised.

This school has had a palpable influence on the World Bank and SIN – with Stiglitz being one of its main exponents. The approach has some utility in interpreting problematic situations and even potentially implying progressive policy (in respect to political transparency for example), but in the end it suffers from many of the same problems associated with the transaction cost school above – especially in relation to undervaluing power. While an acknowledgement in the imperfect information approach that information asymmetries (where one party has more information than another in a given situation) can be used to advantage by specific parties is a tentative recognition of power, bound by the logic of the market as the approach is, it informs fairly orthodox solutions in terms of development initiatives. For example, policies and programs related to the transfer of very particular forms of ‘knowledge’, and the importance of accountability and transparency in market operation are preferred, while ignoring redistribution of capital and technology.

Social conflict theory and the importance of power

In stark contrast to the approach of NIE outlined above, is that of social conflict theory associated with Kiren Aziz Chaudhry, Garry Rodan, Richard Robison and Kevin Hewison among others. Social conflict theory offers a preferable analytical alternative to the methodologically individualist assessments of NIE above. In social conflict theory power, and importantly class power, is placed at the very centre of the analysis,
being the most essential facet to focus upon when describing a social structure or set of structures. 304 From this perspective, institutions aren’t simply viewed as efficiency mechanisms – they facilitate power allocation. 305 This doesn’t necessarily mean dispensing with the notion of efficiency altogether but it does mean expanding it beyond its limited understanding within methodologically individualist approaches. Using efficiency as an analytical concept from the social conflict theory perspective entails placing it within a political and social context where the efficiency of what and for whom must be specified. For example, the protection of the intellectual property rights of an individual or company over certain crops or pharmaceuticals, which could be seen as improving economic efficiency from a NIE position, can occur at the cost of the extreme marginalisation of the poor. In short, the problem is that if the definition of efficiency remains general and individualist (as it does with NIE) it remains problematic.

The ‘job description’ of social conflict theorists is very different to that of NIE, as Rodan et al. make clear with regard to Asian development:

The point of the analytical exercise, therefore, is not to uncover the magic responsible for market growth. Instead, it is to explain the particular structure of power and the politics accounting for the form and extent of Asian development. So social conflict theorists focus analytical attention on different but competing interests that structure the development, spread, and enforcement of capitalist markets. This assists in understanding how policy and institutional transformation take place within broader patterns of social and political power. 306

Thus, the exercise is one of ‘political diagnosis’. It is concerned with mapping out the interests and conflict associated with class relations and global capitalism that give rise to specific complexions of social structures. 307 In this approach institutions and policy are seen as being socially constituted – subjected to the influences of social and political power. Furthermore, markets, from this perspective, are not abstract – they are political

306 Ibid, 7.
THEORETICAL UNDERPINNINGS OF SIN

Neither are they natural or ‘politically neutral’. Indeed, ‘Wrenching social struggles precede and shape the rules that govern the economy.’ For Chaudhry, writing from the social conflict position, to describe something as a market regime is essentially meaningless unless the particular regime’s political, social and economic complexions are delineated.

Drawing from this perspective, the products of institutions (whether they are economic capital, social capital, human capital, or other forms of individual or collective gain etc.) can thus be thought of as forms of power. Power, in turn, influences the composition of individual institutions and institutional matrices. The broader argument here is that this relationship is often dramatically unequal, with specific groups being able to garner resources via particular sets of institutions to the detriment of other groups. Here, class divisions are essential lines of demarcation in explaining the capacity or lack thereof to shape institutions and also benefit from their output. Additionally, social conflict theory implies that institutions exist and are the product of particular political amalgams over time and that efforts to change existing structures are fraught with problems, challenging as they do existing formations of power. Notably, this insight has implications for neoliberal reform processes, or other attempts at reform, where ‘inefficient’ institutions for liberal markets may exist for an extended period where the current arrangement of power supports such structures, or, more specifically, where the structures help sustain certain elite positions. Alternatively, reform might be possible if it helps to weaken the position of competitors to existing elites. Vitally though, the point is that power, and in particular class power, should be central to any approach for understanding both institutional form and function.

NIE’s underpinning of SIN and the reconfiguration of the development agenda

Putting aside, for a moment, the deficiencies of NIE, let us briefly consider what underpinning SIN with NIE facilitates for organisations like the World Bank. In short, it allows a whole new effort that is concerned with specifying the particular frameworks purportedly required for successful development (which is now significantly seen as

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310 Ibid.
311 Ibid, 5.
313 Ibid.
related to the existence of particular institutions and their capacity to reduce transaction cost). This demands that issues that are the domain of politics are turned into technical issues of ‘governance’. Indeed, even the benefit of social institutions is converted into ‘social capital’, which is seen as useful in assisting individuals to endure the market and also to facilitate the market’s operation more generally (a point delved into in later chapters). Politics, from this perspective, is only important insofar as it impedes or facilitates the adoption of normative neoliberal institutional arrangements – what Peter Evans has called ‘institutional monocropping’ and what Gill has associated with his concept, ‘the new constitutionalism of neoliberalism’.314

In dealing with this politics, new emphases on civil society, ‘ownership’ and ‘partnership’ have been mobilised, in particular by the Bank. The logic of ‘good governance’ takes on all-pervasive, normative qualities, specifying the adoption of the ‘right institutions’ and the maintenance of their integrity (transparency and accountability). Importantly, the focus extends beyond the ‘building’ of certain types of political and economic institutions and extends into the realm of social institutions and the ‘social capital’ they produce or contain. Indeed, the inclusion of social institutions via the logic of NIE is a stunning example of the way that SIN allows the extension of economic analysis into previously uncharted territory.315

The institutional specification by the Bank in the NIE image reiterates that the responsibility for development largely remains the preserve of national (and local) governments and largely diverts attention from present multilateral inadequacies, the past failures of the policies of the multilateral agencies and the global structural impediments to more equitable global development (such as rigid systems of property rights over important technology for example and the narrow capital flows). What is actually being specified within the SIN approach of the Bank (drawing heavily upon NIE) is nothing less than systemic political interference (with social engineering qualities) on a grand scale.316 The crass simplicity of structural adjustment has now been replaced by a project of state and social overhaul for market operation. The

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315 This is covered in detail in the next chapter.
316 On this point, Jonathan Pincus has noted that the World Bank’s Comprehensive Development Framework (an important delivery device of SIN dealt with in chapter five) indicates ‘…that the inclination toward social engineering remains as strong as ever.’ Jonathan Pincus, ‘State Simplification and Institution Building in a Development Project’, in Jonathan Pincus and Jeffrey Winters (eds), Reinventing the World Bank (Ithaca: Cornell, 2002), 78.
circumscription of political choice and the reinterpretation of social structures as functionally beneficial for enduring and benefiting from the market is a highly political exercise, preferencing certain incarnations of institutions as technically superior and requisite for efficient market-led development.

The focus upon good governance presents a lucid illustration of the way that NIE has been ubiquitously influential on Bank policy. The *World Development Report 2002, Building Institutions for Markets*, is standout in this respect, specifically referencing North, Coase and other NIE protagonists:

> What limits market opportunities? Transaction costs from inadequate information, incomplete definition and enforcement of property rights, and barriers to entry for new participants. What increases them? Institutions that help manage risks from market exchange, increase efficiency, and raise returns.\(^317\)

The chapter in *Building Institutions for Markets* that deals in particular with political institutions and governance is illustrative of how this transaction cost conception of institutions assists in the depoliticising of what are inherently political structures. The chapter begins implying (by setting up the notion of good governance) an ‘ideal state’ supplying ‘ideal institutions’ for markets:

> Many of the institutions that support markets are publicly provided. The ability of the state to provide these institutions is therefore an important determinant of how well individuals behave in markets and how well markets function. Successful provision of such institutions is often called “good governance”. Good governance includes the creation, protection, and enforcement of property rights, without which the scope for market transactions is limited. It includes the provision of a regulatory regime that works with the market to promote competition. And it includes the provision of sound macroeconomic policies that create a stable environment for market activity. Good governance also means the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets.\(^318\)

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What is particularly evident here is the technical and functional way in which NIE has heavily influenced SIN. The advocacy of particular incarnations of institutions is coupled with an attempt to depoliticise such structures, by removing them, analytically, from political context and attempting to establish particular incarnations of institutions that are shielded from political influence incompatible with liberal markets. However, in any form, such institutions are inherently political structures that are the result of particular historical and political processes. The institutions promoted by the Bank are no different. Furthermore, there is nothing technical about creating them, maintaining them or changing them. Neither is there is anything technical about their impact when they are implemented. As we will see in later chapters, NIE’s influence upon SIN has generated projects and policies that bear this out.

Conclusion

This chapter has argued that NIE assists in plugging up theoretical gaps in neoclassical economics, but analytically it misses much that should be of primary concern in understanding institutional form and operation. Its inadequate analysis of power and preference for narrow conceptions of efficiency (seen through the lens of ‘transaction costs’) are systemic flaws which unequal development can ill afford. An explicit recognition of the connection between power, and in particular class power, institutional design, operation and change and the allocation of resources and opportunities is far more important – especially in environments of intense scarcity and conflict. Institutions are social structures that allocate power, often in dramatically uneven ways. Indeed, they are not simply facilitating structures – they can also be ‘attenuators’, where a given structure or set of structures selectively facilitates the interests and actions of some, while other groups are marginalised.

Somewhat ironically, these questions are not just concerns for those interested in more equitable development – they are also of pertinence for neoliberal reformers. As is made evident in subsequent chapters, SIN based on its NIE foundations continues to face many of the very same implementation problems that often frustrated proponents of the Washington consensus. Building certain incarnations of institutions to support liberal market efficiency in the underdeveloped world means nothing less than challenging politically constructed regimes, requiring the reversal of both the outcomes of previous conflict and the interruption and settling of present clashes within an environment of intense scarcity and inequality. Notably, this political challenge for the
broad neoliberal institution-building project hasn’t stopped the Bank developing particular reform delivery devices and political technologies (covered in chapter five) that attempt to circumscribe impediments to implanting neoliberal institutions. Crucially, however, the degree of success that these mechanisms have is varied and often far from obvious.
Chapter 4

Getting the ‘New Basics’ Right: SIN’s Prescriptions

The previous chapter took a critical look at NIE, which so significantly underpins SIN. We saw how the logic of transaction costs within NIE was offered as an important element in refining the assumptions of neoclassical economics. From the NIE approach, where transaction costs and information asymmetries abound, institutions are required to reduce such costs and are thus seen as essential for efficiently operating markets. Overall, the approach was criticised for its abstraction and omission, in particular, of the role of power – especially class power – in relation to institutional formation and operation. The final section of the chapter briefly noted the manner in which this logic has influenced the new development agenda. This chapter logically follows on from the foregoing analysis of NIE, taking a detailed look at the very prescriptions that NIE underpins in the World Bank’s SIN.

The first part of the chapter title is a reference to a now-well known line in the World Bank’s report, The East Asian Miracle (covered in chapter two), which was used to broadly explain East Asia’s spectacular growth. The report’s argument was essentially that the countries of East Asia ‘…achieved high growth by getting the basics right.’ Here, of course, the phrase ‘the basics’ referred to a normative Washington consensus conception of development, with particular emphasis upon neoliberal macroeconomic prescriptions. The SIN of the PWC includes a new version of what constitutes ‘the basics’ – what I call ‘the new basics’. Crucially, these prescriptions (the new basics) form one half of SIN, with the other half being SIN’s delivery devices and political technologies (covered in the next chapter). Analysing these new prescriptions within SIN further makes clear the evolution of neoliberalism, which is the product of the attempt of those promoting market-led development to legitimise it in the face of the problems that it faced (covered in chapter two).

We saw briefly in chapter two how a central theme within the Bank’s promotion of SIN is the idea that the deep-embedding of liberal capitalist markets is central to reducing poverty. The now-acknowledged reality of transaction cost and market imperfections by neoliberal development protagonists means that specific complexions of institutions are now seen by the Bank as essential for both the establishment of

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liberal markets and their efficient function (chapter three). Importantly, these NIE-informed prescriptions move substantively beyond older Washington consensus fundamentals. They entail nothing less than the construction of a particular state and society to regulate and support the market. While some of the old Washington consensus policies are still evident (such as privatisation and macroeconomic policy), even these have often been dramatically modified, out of a concern for their political palatability and longevity, demonstrating further the politics of neoliberalism’s evolution.320

As was made evident in chapter two, the Bank’s focus on institutions began with the state being brought into the neoliberal development framework, to a large degree as a supplier of institutions. However, with the consolidation of SIN, the project of institutional advocacy has gone much further than just articulating a role for the state. For example, institutional specification, function and quality in SIN now includes expanded foci on human and social capital. Indeed, these are often connected to a more rigorous proclamation of the importance of ‘good governance’, which is now so heavily associated, within Bank discourse, with the role of the state. This chapter takes a detailed look at these prescriptive elements within SIN, beginning with good governance (as a bundle of SIN prescriptions) and then proceeding with an analysis of some of SIN’s other key elements such as social capital, social risk management and human capital.

As we will see in this chapter and in the later case study chapters, adopting the NIE approach to institutions opens up a whole new world for the Bank and neoliberalism more broadly – allowing significant latitude to specify what markets (and for neoliberals, ergo, societies) require to successfully develop. This exercise in institutional specification entails a dramatic exercise in neoliberal policy reinterpretation and advocacy, which has potentially massive implications for the state, education, social networks and societies more generally. However, neoliberal transformation in line with these new prescriptions is far from assured, despite the vigorous efforts of the Bank and others. Just as NIE suffers from functionalist tendencies that neglect power, and in particular the centrality of class power in understanding institutions, the prescriptions of SIN suffer from the very same maladies.

320 For example, the partial (rather than full) privatisation of utilities, in tandem with the provision by the state of certain related regulatory structures, is now an important theme within the Bank’s work. This use of partial-privatisation as a delivery technique within Bank projects is taken up further in the next chapter on the privatisation of Manila’s water services.
This suggests both problems for the implementation of SIN reforms based around such prescriptions and, where they are implemented, the outcomes of such reforms.

Furthermore, we should be clear from the outset that some of SIN’s prescriptions – especially social capital – enjoy less-than universal endorsement within the Bank. This demonstrates that while sections of *World Development Reports* and Bank working papers may get produced around certain prescriptive elements and themes, their uptake is politically conditioned from within the organisation as well as without. Thus, we need to avoid analysing certain prescriptions as monolithically associated with the organisation. Indeed, as will be made evident below, social capital, for example, was far from consistently endorsed within the Bank. Indeed, while it has a place within SIN, it seems, especially to those that were associated with its promotion in the Bank, to be on the demise. Here, however, we see how the ‘S’ within SIN is not simply understood as relating to the relationship between social institutions and growth (as dealt with through the discourse on social capital). To be sure, while human capital and safety nets play some role here, the ‘socio’ of SIN is also fundamentally associated with its more instrumental concerns with ‘civil society’, ‘participation’ and ‘partnership’ which continue to be strongly associated with policy implementation, more than immediately concerned with growth.321

**Good governance and attempting state homogeneity**

The focus upon good governance within the Bank’s framework draws together, in one bundle, many of SIN’s various prescriptive elements. Given its centrality, it makes sense to begin our analysis of SIN’s prescriptive content with it. While the Bank’s emphasis on good governance predates the consolidation of SIN, good governance is an important bridge between the Washington consensus and the PWC – building in much from the earlier Washington consensus. However, the emphasis on good governance by the Bank has now been further refined and linked up in a more robust way with other prescriptive elements, such as roles projected on to civil society in relation to accountability. As we saw in chapter two, it is also connected strongly to the debates around aid effectiveness.

Over the last decade and a half, good governance has proved useful (increasingly so with the consolidation of SIN after the Asian crisis) for the Bank in

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321 Participation and partnership (in tandem with ‘civil society’) are dealt with in the next chapter on delivery devices and political technologies for embedding SIN.
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legitimising the persistence of negative reform-related issues. As Bøås and McNeil have emphasised (and as was highlighted in chapter two), governance was a particularly attractive concept to the Bank given the experience of structural adjustment, especially in relation to Africa.\footnote{Morten Bøås and Desmond McNeil, \textit{Multilateral Institutions – A Critical Introduction} (London: Pluto Press, 2003), 67-69.} With the problems faced by structural adjustment programs (SAPs) in countries overloaded with reform and where poverty persisted, there was a perception by the Bank of endemic corruption and a lack of commitment to reform by recipient countries. Here, emphases upon governance provided a way of both explaining the Bank’s failure in Africa and a justification for a new direction.\footnote{Bøås and McNeil, 67-69. Bøås and McNeil elaborate: ‘The appeal of this concept for the Bank was that it implied that the African problem was not caused by wrong prescriptions made by the external donor, but by inherent weaknesses and failures in the governmental structures of African states. The state was the problem. This way of defining the problem was closely in accord with the by-then dominant economic paradigm of neoliberalism.’, Bøås and McNeil, 68-69.} Interestingly, this use of good governance was eerily similar to the way in which similar emphases were later highlighted by the IMF to explain the shattering of the East Asian ‘miracle’ in the late 1990s (see chapter two). Nevertheless, good governance, albeit in an expanded form, is now a central component in the Bank’s prescriptive platform, and is critical in the legitimising of the organisation’s work and neoliberalism more broadly.

The Bank’s governance agenda – like many other facets of the Bank’s output – takes a highly functionalist approach emphasising the ‘…economic, management dimensions of governance.’\footnote{Ibid, 70.} It draws strongly upon the logic of NIE, entailing a rigorous specification of the particular institutions and institutional quality that should be supplied and maintained by the state.\footnote{World Bank, \textit{World Development Report 2002, Building Institutions for Markets} (New York: Oxford University Press, 2002), 99.} As we will see, the homogenised institutional set associated with the Bank’s promotion of good governance implicitly and explicitly indorses both political interference on a grand scale and the limiting of pluralist politics. However, the moniker of good governance is used to pitch such a prescriptive bundle, in a normative manner, as self-evidently rational, sensible and beyond politics.

The 2002 \textit{World Development Report, Building Institutions for Markets}, lucidly details what the Bank means by good governance. In short, it emphasises four core areas that the state should be concerned with: the establishment and protection of property rights, the provision of market-compatible regulation, adherence to neoliberal
macroeconomic policy and the absence of corruption. Each of these deserves some brief elaboration here. What is particularly evident in the following analysis of good governance is that the market is the core institution to be served in a functional sense by a homogenised institutional set significantly associated with the state.

The first of the four main foci noted in the Bank’s definition of good governance – the creation, protection and enforcement of property rights – is central within the organisation’s institutional agenda. Confirming this, the 1997 WDR, The State in A Changing World and the WDR 2002, make clear that one of the most important tasks for government is the establishment of a foundation of law and property rights. Within this prescriptive precondition for liberal markets, three sub-conditions to the efficacy of property rights are delineated: that there is protection from theft, violence and predatory behaviour; that there is protection from arbitrary government action (including unpredictable taxation, regulation and corruption); and that the judiciary is reasonably fair and predictable. Here, and in the WDR 2002, the tasks projected on to the state in relation to property rights draw heavily upon the language and assumptions of NIE, with the delineation, protection and enforcement of property rights being viewed by the Bank as important in providing particular signals and incentives to economic agents.

The provision of ‘sound’ macroeconomic policy and a regulatory regime are the second and third foci of good governance in the above definition, respectively. Like the attention to property rights, both of these are emphasised for their intimate relationship to liberal market operation. Essentially, the logic within good governance on macroeconomic stability relates to the importance of providing a sound investment environment for foreign and domestic investors. The basic macroeconomic vision of stability articulated here displays significant continuity with the Washington consensus, emphasising ‘sound economic policies’ concerned with achieving low inflation, low

330 World Bank, *PRSP Sourcebook* (World Bank, nd), chapter 12, available online: http://povlibrary.worldbank.org/files/3360_chap12.pdf, accessed January 29, 2007,. (Note that the Bank states that the Sourcebook does not reflect the official policies or approaches of the Bank or the Fund and that the source book is an evolving text).
fiscal deficits, maintaining a competitive exchange rate and avoiding progressive tax regimes so that clear positive signals and incentives are sent to the private sector.331

However, also important in terms of macroeconomics within SIN is the so-called ‘microeconomics of macroeconomics’, which is related significantly to regulation of the financial sector and contrasts significantly with the financial liberalisation of the Washington consensus.332 Here, the influence of Stiglitz’s theoretical approach centred around asymmetrical information and its connection with financial system regulation is clearly evident.333 Indeed, no less than a whole chapter in the WDR 2002 is dedicated to financial systems and their regulation, and the ideas within the chapter connect almost seamlessly with Stiglitz’s. What is critical from this perspective is that policymakers improve the ‘legal and regulatory environment’ in order to facilitate the availability of accurate information to instill ‘quality’ forms of ‘effective’ market discipline.334

Subsequently, within SIN, Washington consensus prescriptions such as the dramatic deregulation of financial markets are not the key foci of reform. What matters more is the regulatory framework that should go along with financial markets.335 So, in the new consensus some of the old macroeconomic fundamentals in the Washington consensus (emphasising fiscal austerity and low inflation to attract investors) are inextricably attached to the construction and operation of regulatory structures, underpinned by the logic of NIE. Crucially, what we see is a reconfiguration of the relationship between the state and the market, where a very particular state form is promoted for the maintenance of the market.

The emphasis upon regulation in good governance also extends through to a demand upon the state to promote competition and the regulation of infrastructure. In relation to the promotion of competition, independent authorities are endorsed to regulate in favour of competitive markets, and the benefits of liberalised trade regimes that expose domestic markets to competitive influences are also advocated.336 With respect to infrastructure, the Bank’s preference for the private provision of

331 World Bank, PRSP Sourcebook, chapter 12, 8-17.
infrastructure remains clear (as it did in the Washington consensus), however, here too
regulation and competition are both seen as having important roles.  

The final significant element within SIN notions of good governance concerns
corruption – which drew increasing attention from the Bank during James
Wolfensohn’s presidency. In the *World Development Report 1997*, the Bank defined
corruption ‘…as the abuse of public power for private gain.’ Essentially corruption
for the Bank undermines markets ‘…as a tax, as a barrier to entry, and by subverting the
legitimacy of the state and its ability to provide institutions that support markets.’

Again, the Bank’s concerns here are market-centred and intimately linked with the logic
of transaction costs and, in particular, asymmetrical information. Corruption, from this
perspective, has impacts upon investor confidence and foreign direct investment, raising
costs and undermining competition by deterring new firms from entering the market.

It is also seen as undermining public trust and ‘corroding social capital’.

The analysis of corruption through the lens of NIE continues in the assessment
by the Bank that countries that are more open to international trade are presented as
having lower levels of corruption. It is suggested that this might be a result of increased
competition, which is connected to fewer opportunities for corrupt behaviour and rent-
seeking. Here, a NIE-based link is established between openness to international trade
and levels of corruption that suggests ‘…greater openness also improves information
flows’. Furthermore, a correlation is also made between inflation and its effects on
corruption. This too makes use of the transaction cost/asymmetrical information logic
of NIE. Finally, a range of suggestions is presented by the Bank for tackling
corruption, including roles for the press and civil society, and even particular electoral
arrangements and decentralisation.

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337 See also the case study in chapter six.
338 Sebastian Mallaby, in his book on Wolfensohn, notes that until Wolfensohn became President at the
Bank, talking of corruption had been ‘taboo’ and in violation of ‘the Bank’s apolitical charter.’ See
Sebastian Mallaby, *The World’s Banker* (New York: Penguin Press, 2004), 176; See also World Bank,
‘James Wolfensohn’s Presidency’, available online:
TERNAL/0,contentMDK:20309401~menuPK:232053~pagePK:139877~piPK:199692~theSitePK:227
341 Ibid, 106.
344 Ibid.
345 Ibid, 108-110. These roles related to governance are dealt with further below in this chapter and later
in the thesis.
In total, these four key foci within the good governance of SIN display just how functionalist the approach is and how heavily it draws upon NIE. From the SIN perspective, these four elements (property rights, the provision of a regulatory regime, sound macroeconomic policy and the absence of corruption) should be the normative concern of the state to provide the structure for embedding and maintaining liberal markets. These, in turn, are almost seamlessly linked to growth and poverty reduction. One of the problems here is that reality seems to suggest that these issues are not as simple as the good governance agenda would have some believe. In this regard, there are both issues relating to the political nature of the prescriptions themselves, which advocate institutional homogeneity based around a highly political (neoliberal) ideology, not to mention the political nature of their embedding (with its anti-pluralist implications).

Dealing very briefly first with the political nature of the good governance prescriptions, there is obviously little doubt about the logic that underpins it. It is essentially premised upon the poverty reduction potential of liberal markets. However, there are certain issues that challenge such a simple causal connection implied by the prescriptions within good governance. For example, the protection and enforcement of some people’s property rights occurs at the expense of others who might not share in the benefits of certain technologies and knowledge – a phenomenon that occurs globally, as well as nationally and locally. Secondly, the macroeconomic policy within SIN, which still has a very distinct Washington consensus flavour to it, is designed to satisfy the interests of capital first and foremost, and leaves no room for alternative development paths, such as counter-cyclical efforts or public expenditure to foster industry. Finally, there exists a tension within the Bank’s dominant approach to corruption as a largely national problem, when in actuality the developed world is often complicit in the corruption of the underdeveloped world and structural inequalities abound that can only further the incentives for corrupt behaviour and rent-seeking opportunities.346

346 Interestingly, the World Bank Institute’s Daniel Kaufmann, writing in the World Economic Forum’s *Global Competitiveness Report 2004/2005*, has recently blown apart this apparent dichotomy suggesting that the good governance-industrialised country/bad governance-underdeveloped country distinction is problematic. He offers that, firstly, the ‘bad’ governance of the underdeveloped world is often connected with multinational or transnational firms headquartered in the first world. Secondly, on deeper analysis the ‘good’ governance of the developed world doesn’t look as good as the simple good/bad governance distinction would suggest. See Daniel Kaufmann, ‘Corruption, Governance and Security: Challenges for the Rich Countries and the World’, in Augusto Lopez-Carlos (ed.) *Global Competitiveness Report 2004/2005* (New York: Palgrave Macmillan, 2004), 83-102.
There also exists a meta-problem with the Bank’s approach to good governance, which also plagues SIN generally. While the issues addressed by the good governance framework are intensely political, SIN proponents fundamentally attempt to depoliticise them. At best, their normative specification undermines democratic process by advocating policy sets and institutional structures that are pitched as ‘beyond politics’. At worst, the approach is a conscious attempt to insulate institutional arrangements from popular participation in a social engineering project of mammoth proportions that is deeply suspicious of political pluralism and zealous in its reification of the market – which is to be ‘locked-in’ with ‘ideal, complimentary’ institutions.

A further clarifying note should be made here about the term good governance. While good governance implies a SIN conception of what good government is, this should in no way be confused with ‘democracy’ (in any form) or ‘pluralist representation’. Indeed, good governance actually demands quite the opposite, as the WDR brashly states: ‘Good governance requires the power to carry out policies and to develop institutions that may be unpopular among some – or even a majority – of the population.’347 Here, the depoliticising tendency within SIN is notably evident. Highly political issues are reconceptualised as technical issues of ‘governance’, that should be beyond (that is insulated) from the realm of politics. In marketing this, the approach implies a set of dichotomies such as prudent and imprudent macroeconomic policies, the presence or absence of corruption, ‘sufficient’ protection and enforcement of property rights or a lack of such protection and enforcement, and – perhaps the mother of them all – good and bad governance. Good governance binds together the elements the Bank wants to promote within these dichotomies and drums them home with tiring repetition. However, this consistency (through often false or highly-simplistic dichotomies) neglects essential issues that should be at the heart of development issues. For example, that the property rights of some impinge upon development potential for many receives no serious attention. Furthermore, the SIN analysis of corruption would have one believe that corruption is a central problem of the underdeveloped world and entails following the ‘clean’ government and business of the industrialised world. These dichotomies within SIN’s attention to good governance derive from its focus upon capitalism as requiring certain functional institutions, rather than understanding capitalism in relation to the social and economic relationships which actually constitute it in practice.

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We should be clear here about just how political the good governance agenda of the Bank is. In this regard, the *WDR 2002* is particularly telling. Indeed, it covers areas such as balanced budget rules (and how they should be designed and enshrined), electoral rules, electoral cycles and their relationship to fiscal policy and fiscal outcomes, along with other examples of institutional reforms. The individual sections in the *WDR* that deal with each of these issues, articulate a concern for the problems associated with different institutional arrangements for liberal market development and then specify or at least imply, if not advocate outright, preferable structures. The section in the *WDR* on electoral rules and their relationship to fiscal outcomes reveals just how rigorous the institutional specification can be within the good governance of SIN. Here, as elsewhere, the concerns of the market are given primacy. It notes that in countries where governments are formed by coalition ‘…fiscal outcomes are often worse than when majority governments are in power.’ Proportional electoral systems that are more likely to result in coalition arrangements with less preferable fiscal outcomes are the obvious targets of the report’s institutional advocacy. Not surprisingly, the consideration of the importance of pluralist representation is conspicuous in its absence. The predominant point of interest are the institutions (and the politics associated with them) that get in the way of establishing liberal markets.

In essence, the Bank’s promotion of good governance is a continuation of an approach that sees significant development impediments and impediments to neoliberal reform, which are unproblematically linked by the Bank, existing within underdeveloped countries. The issue, from this perspective, is getting the patient to take the right medication and follow instructions. All of this is done for broader-than national goals though. Indeed, good governance can be thought of as an important part of what Gill has called new constitutionalism – the attempt to institutionalise

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349 Ibid, 103.
350 Gill states: ‘Indeed, in many respects, the 1990s represents a counter-revolution of the powerful against the weak, and more specifically, a counter revolution of capital on a world scale, a revolution that reconstitutes state and capital as well as intensifying social hierarchies associated with class, race and gender relations on a world scale. This revolution specifically involves the extension of the processes of commodification and alienation based on the intensification of the discipline of capital in social relations (what I call disciplinary neo-liberalism). It also involves imposition of new constitutional and quasi-constitutional political and legal frameworks – with respect to state and the operation of strategic, macroeconomic, microeconomic and social policy (what I call new constitutionalism).

...[T]he crucial significance of new constitutionalism is how it seeks to provide political anchorage for the power of capital in the long-term. This is achieved through political and legal mechanisms that are difficult to change: moreover such mechanisms also limit democratic influence in the political economy. These long-term mechanisms include legal and quasi-legal agreements, the
neoliberalism on a global scale, establishing the permissible boundaries of institutional acceptability. This involves the locking-in of reforms via ‘mechanisms of restraint’, which make it costly to backtrack and which limit democratic influence in the interests of securing institutional insulation. As Gill notes,

...ideal-typical neo-liberal state formation incorporates legal and quasi-legal, indeed constitutional “mechanisms of restraint” in (sic) to lock in not only macroeconomic but also microeconomic policy in ways that involve a clear separation of the economic and political to lessen the possibility for democratic accountability.352

In short, good governance within SIN involves state building in an advanced neoliberal image which is anti-pluralist and which attempts to depoliticise highly political issues.

Social institutions and social capital: networking for neoliberalism?

If good governance has been a prescriptive element within SIN that has been predictably endorsed by many neoliberals, one of the most controversial prescriptive elements within the new basics has been the promotion of social institutions and the social capital that they are supposed to embody and/or produce. Indeed, this controversy has been associated with critiques emanating both from within the Bank and outside it. While the focus within SIN upon social institutions and social capital connects with the good governance agenda (see below and the case study in chapter eight), in isolation the prominence placed upon social institutions and social capital by the Bank has perhaps been overemphasised. While many became interested in the Bank’s attention to social capital and social institutions, both critically and within neoliberalism, it now appears that the social capital push within the Bank was far from broadly endorsed within the organisation, explaining its seemingly short life span. Indeed, the promotion of social institutions and social capital is now nowhere near as visible as it was several years ago,
giving way substantively to the more politically palatable (within the Bank) and fluid discourse of partnership, participation, empowerment and civil society.353

Of course, these elements (partnership, civil society etc.) are often linked to the social capital discourse. However, it is critical to separate definitions and discussions about social capital and civil society in the literature and look at the manner in which these have been interpreted and operationalised by the Bank. For this reason the link between social capital and civil society as the two are put into practice in the Bank is played down in the analysis below, with social capital seen just as another prescriptive element (albeit a marginalised one) within SIN that is related in a fairly specific way to growth. Further to this, civil society as it is used by the Bank, is seen explicitly as a core part of the Bank’s work on partnership and participation – which are seen in the framework for this thesis as political technologies for implementation (dealt with in the next chapter).

This disclaimer aside, social capital and social institutions still constitute an element within SIN and require analysis. As the case study in chapter eight makes clear, social capital has been associated with the social development section of the Bank, who in part used the language of social capital as a sort of ‘Trojan Horse’ in an attempt to shift the Bank’s development agenda from within.354 However, this social capital push was associated with significant battles in and around the Bank that indicated the limits upon Trojan Horse-style attempts at change. The controversy surrounding the attention to social capital and the promotion by the Bank of a role for social institutions was most evident in the World Development Report 2000/2001, Attacking Poverty (see chapter two). This conflict should perhaps be unsurprising, given the reservations that people working within the confines of classical economics and neoliberalism more generally have traditionally had for social relations. Indeed, as Biggart and Castanias make clear, for those working from a classical economics perspective embedding liberal-market capitalism necessitated a shift from ‘the entanglements of social relations to the

353 Interestingly, Anthony Bebbington, Scott Guggenheim, Elizabeth Olson and Michael Woolcock, in a paper discussing social capital debates in the World Bank have made a similar point about social capital’s presence at the operational level: ‘Indeed, it seems to us likely that over the next few years the language of social capital will slowly recede in operational discourse to be replaced by more precise and concrete referants (sic) of empowerment and community driven development. This is already happening.’ See Anthony Bebbington, Scott Guggenheim, Elizabeth Olson and Michael Woolcock, ‘Exploring the Social Capital Debates at the World Bank’, Journal of Development Studies, vol. 40, no. 5 (June 2004), 57.

impersonal, individuated economies of the West.  

Traditionally, social relationships were viewed by those working within classical economics as distorting the price setting mechanism and facilitating collusion, thus inhibiting the efficient operation of markets. Social institutions, such as families, friendships and communities were perceived as interfering with the rational calculations of individuals. Yet more recently rational choice social scientists have drawn ‘the social’ back into economics – albeit in a highly constrained way.

The Bank, through various internal groupings, has promoted a role for social institutions and social capital within market-led development that fuses elements of this shift within economics with the ideas of people like Robert Putnam (see below). For example, the Bank has an extensive social capital website and has published a plethora of material on it. Furthermore, the controversial WDR 2000/2001, despite undergoing significant revisions, still dedicated a section to social institutions and social capital – following on from the WDR 1997, which had laid out an early definition of how the Bank saw social capital (clearly showing the influence of Putnam). Finally, social capital has made it to the field also, influencing significant Bank projects on the ground.

Social capital has somewhat confusingly been used in myriad ways, over time, and has several distinguishable broad strands, each differing rather dramatically. For example, it can often mean networks or norms themselves, the benefits derived from them or ‘...anything ranging over public goods, networks, culture etc.’ As Fine

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357 Ibid, 471, 476-477.
360 An example of this, the Kecamatan Development Program, is covered in chapter eight.
361 See John Harriss, *Depoliticizing Development* (London: Anthem, 2001), 17-21, for a good separation of the two social capital ‘founding authors’, Pierre Bourdieu and James Coleman, and their contributions that are respectively associated with the two divergent strands of social capital literature. Due to space and direct relevance, I have focused on the strand associated with Coleman, Putnam and others that has directly influenced SIN. Importantly, the work of these influential individuals, mostly hailing from American institutions, differs substantively to that of Pierre Bourdieu who has been credited with an earlier and very different version of the term, and who is associated with Marxist thought and an understanding of social class reproduction. See Harriss, *Depoliticizing Development*, 4.
362 Fine, ‘The Developmental State is Dead’, 5.
states, ‘[t]he only proviso is that social capital should be attached to the economy in a functionally positive way for economic performance, especially growth.’ Without trying to downplay the ambiguity surrounding social capital, the way in which it is drawn upon by the Bank essentially refers to the benefit, in the form of trust and reciprocity, associated with social institutions such as norms and networks. However, it is a form of benefit (conceived as efficiency in ‘facilitating coordinated actions’) that has an explicit function relating to market participation.

Social capital is perhaps most famously associated with the work of the American social scientist Robert Putnam, who has undeniably influenced the Bank’s work on social capital. Putnam’s work, has strong intersections with new institutionalist economists such as Douglass North (see chapter two), and can be traced back to the work of the late American sociologist James Coleman. Importantly, Coleman used social capital as an explicit attempt to introduce ‘…social structure into the rational action paradigm.’ For Coleman, it is the trust, reciprocity and predictable adherence to convention that pertains to social organisation that provides an environment for implicit, if not explicit, guarantees – allowing the existence of a system of social ‘credit slips’, entailing reciprocity. Crucially also, he emphasised that social capital could also be useful in providing information which is costly to acquire.

363 Ibid.
365 Bebbington, Guggenheim, Olson and Woolcock, ‘Exploring Social Capital Debates at the World Bank’, 41; Harriss, *Depoliticizing Development*, 1-2; Fine, ‘The World Bank’s Speculation on Social Capital’, 213. Putnam’s famous and controversial (logically, methodologically and empirically) study of Italy, co-authored with Robert Leonardi and Rafaellea Nanetti, *Making Democracy Work*, sought to explain the bifurcation of Italian development between the North and the South and specifically the variation in performance of regional governments that is posited to be related to levels of ‘civic community’. This study along with his later study *Bowling Alone* – which dealt with America and the decline of civic community – had a significant impact upon the rise of the social capital as a concept, generating significant celebrity for Putnam. See Harriss, *Depoliticizing Development*, 15, 29, 21-25; See Putnam et al., *Making Democracy Work*.
368 Ibid, s102.
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(showing much compatibility here with the imperfect information school of NIE) that facilitates action.369

In the *World Development Report 2000/2001, Attacking Poverty*, the Bank promoted the importance of building social institutions and social capital. Here, echoing Coleman and Putnam and the emphasis by the Bank (and NIE) upon other institutions, social institutions (such as networks and community organisations) are of function because they can assist people to operate and exist within the market.370 In this functional role charted for social institutions the language of NIE is never far away:

Poor entrepreneurs operating local firms in traditional industries form ‘solidarity networks,’ sharing personal information about members’ conduct and intentions in order to reduce risk and uncertainty. … Studies of agricultural traders in Madagascar show that social relationships are more important to traders than input prices. Close relationships with other traders are used to lower the transaction costs of exchange, while ties to creditors and others who can help out during times of financial hardship are vital sources of security and insurance.371

Notably, outside of the *World Development Report 2000/2001*, writers for the Bank have spent significant effort theorising social capital in relation to market-led development.372 As a concept it has been expanded and effort has been expended on

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369 Coleman, ‘Social Capital in the Creation of Human Capital’, s104. Harriss has also made this point about the relationship between social capital and NIE. See Harriss, 19;

370 World Bank, *World Development Report 2000/2001, Attacking Poverty* (New York: Oxford University Press, 2001), 117. Interestingly, Putnam was brought into the Bank via two of that organisation’s Vice Presidents – each from distinct sections within the Bank (one from Development Economics, which is typically quite orthodox and the other from the Environmentally Sustainable Development, which includes social development). Putnam advised both Vice Presidents and made various presentations on social capital to senior Bank staff. Bebbington, Guggenheim, Olson and Woolcock, ‘Exploring Social Capital Debates at the World Bank’, cited previously, 41.


372 For example, Michael Woolcock and Deepa Narayan, in a paper published by the World Bank, have identified four main approaches to social capital in relation to economic development. The first they describe as the ‘communitarian view’ – which is concerned with the quantity and quality of groups in a given community. This approach sees social capital as naturally good for a given community’s situation but undervalues social capital’s ‘dark side’. The ‘networks view’ tries to explain the good and bad, and horizontal and vertical facets of social capital. This approach identifies both the links within communities and between them (described respectively as ‘bonding’ and ‘bridging’ social capital) and other social groups as being important. The third approach is ‘the institutional view’ that emphasises the importance of formal institutions as highly influential upon social groups and social capital and beneficial collective activity. The final approach, Woolcock and Narayan’s preferred approach, is the synergy approach which they describe as an attempt to ‘…integrate the compelling work emerging from the networks and institutionalist camps’. See Michael Woolcock and Deepa Narayan, ‘Social Capital: Implications for Development Theory, Research, and Policy’, *The World Bank Research Observer*, vol. 15, no. 2 (August 2000), 225-249.
measuring it and its influence. Yet a lack of theoretical precision is evident and the Bank’s social capital literature (especially that outside the *WDR 2000/2001*) doesn’t seem to achieve any real consensus in several fundamental areas. For example, in Christiaan Grootaert’s approach to social capital one gets the impression that structural and historical context together matter – something that unfortunately has little meaningful presence in much of the Bank’s other social capital material. Grootaert also acknowledges that agreement is lacking over which aspects of interaction and organisation constitute social capital and that doubts exist over whether the use of the term ‘capital’ is even appropriate. These would seem to be fundamental issues affecting social capital’s theoretical utility. As Harriss notes, social capital actually is ‘…a very doubtful label for quite familiar notions. The phenomena that are thus labelled mean nothing (‘social capital’ is devoid of meaningful content), except in relation to social and political contexts that have to be historically specified.’

What is striking about social capital in the hands of people working in the Bank is that it seems to exhibit several irresolvable theoretical dilemmas which invariably turn the attention of social capital enthusiasts towards discussions about measuring ‘it’ or the importance of further understanding ‘it’, or broadening its definition rather than dispensing with the concept and its problematic context sensitivity and associated ambiguity. Indeed, the more one delves into the World Bank’s social capital literature the more confusing it becomes, in no small part because numerous distinctions are made to account for the contradictions and ‘exceptions’ to the rule, based upon differing conceptions of what social capital is and how it relates to development. For example, one of the most theoretically interesting implications of Grootaert’s paper is that social capital seems to be good for growth but that the trends associated with lots of growth are bad for social capital. Another unexplained, or less convincingly explained,
contradiction is that even when ‘social capital’ is evident in poor communities it often doesn’t seem to help achieve significant positive socioeconomic movement for those communities.\textsuperscript{377} Additionally, the reality of good and bad social capital is also problematic for some of the social capital literature.

However, the explanation drawn upon by the Bank for both the seemingly contradictory nature of social capital for the ‘networked’ poor, and good and bad social capital, appears to be that there isn’t one type of social capital but at least three; ‘bonding’, ‘bridging’ and ‘linking’. ‘Bonding social capital’ refers to the strong links between family, friends and work colleagues. ‘Bridging social capital’ refers to the weaker links that bridge the divide between individuals from different backgrounds of occupation and ethnicity and ‘linking’ refers to the vertical ties that link people of different political status – the poor and the influential.\textsuperscript{378} However, even when these distinctions are made, context sensitivity and politics still remain problematic for social capital.

The more convincing World Bank social capital practitioners, like Michael Woolcock and Deepa Narayan who employ a ‘synergy approach’ which views networks as both good and bad and influenced by the formal institutional setting, answer some of these criticisms.\textsuperscript{379} The focus for Woolcock and Narayan’s synergy view is to understand the composite social relationships and formal institutions within a given society and to nurture and promote the good and attenuate and inhibit the bad. Yet how one does this in extremely polarised and iniquitous situations (the staple target when he states: ‘Ironically, the efficiency of markets itself may also undermine the existence of networks in the long-term. Large anonymous markets can be more efficient than networks because the best buyer or seller may not be part of the network. If the development path is supported by a solid court system and contract enforcement, anonymous markets will replace the “named” transactions within networks over time, with gains for all participating economic agents. If one adheres to a narrow definition of social capital, this will be registered as a decline of social capital. But in the broader concept the same phenomenon will be seen as substitution of one form of social capital (rule of law) for another (horizontal associations). This provides one reason why a broader definition of social capital seems preferable – to better understand the social dynamics that accompany development.’ See Grootaert, ‘Social Capital: The Missing Link?’., 5-6.

\textsuperscript{377} As Alejandro Portes and Patricia Landolt remark, ‘[t]here is considerable social capital in ghetto areas, but the assets obtainable through it seldom allow participants to rise above their poverty.’ Portes Alejandro Portes and Patricia Landolt, ‘Unsolved Mysteries: The Tocqueville Files II’, \textit{The American Prospect}, vol. 7, no. 26 (May, 1996), n.p, available online: \url{http://www.prospect.org/web/page.ww?section=root&name=ViewPrint&articleId=4943}, accessed September 26, 2001; Harriss also makes a similar point. Harriss, \textit{Depoliticizing Development}, 9-12.


\textsuperscript{379} See footnote no. 379 above.
environment of any development agenda) is a fundamental issue that these authors do not address.\textsuperscript{380}

In any case, there is little to indicate that an emphasis upon social capital will play a significant role in market-led development approaches and the Bank’s work in the future. Indeed, the analysis of social capital debates at the Bank provided by Bebbington, Guggenheim, Olson and Woolcock (all closely associated with debate and practice related to social capital in the World Bank), suggests a short life for social capital in the market-led development discourse.\textsuperscript{381} This perhaps tacitly explains the reason for social capital’s confusing form in the hands of the Bank – being associated with a group that was essentially waging a battle of ideas against the Bank’s power group – the economists.\textsuperscript{382} This said, social capital at its most sophisticated (eg the approaches of Woolcock and Narayan), seems simply irreconcilable with the most powerfully supported agenda’s within the Bank, which are often associated with a more economistic focus and the more instrumental concerns of implementation. Indeed, what is left of the emphasis seems to be increasingly subsumed within the now-dominant discourse of good governance, dominated by that discourse’s more palatable (for orthodox neoliberals) core themes.

\textit{Social risk management, social safety nets and securing the market}

An element which is not exclusively removed from the good governance agenda (or the social capital focus for that matter) detailed above and which is important within the new basics of SIN is the attention to role of safety nets and ‘risk management’ within

\textsuperscript{380} Michael Woolcock and Deepa Narayan, writing for the World Bank, note the potential difficulties for development practitioners with the new approach to institutions in a paper on social capital: ‘The clear challenge to social capital theory, research, and policy from the networks perspective is thus to identify the conditions under which the many positive aspects of bonding social capital in poor communities can be harnessed and its integrity retained (and, if necessary, its negative aspects dissipated), while simultaneously helping the poor gain access to formal institutions and a more diverse stock of bridging social capital. This process is fraught with multiple dilemmas, however, especially for external nongovernmental organisations, extension services, and development agencies, because it may entail altering social systems that are the product of longstanding cultural traditions or of powerful interests.’ Woolcock and Narayan, ‘Social Capital: Implications for Development Theory, Research , and Policy’, cited previously, 233.

\textsuperscript{381} Bebbington, Guggenheim, Olson and Woolcock, ‘Exploring Social Capital Debates at the World Bank’, 57.

\textsuperscript{382} Scott Guggenheim, the lead social development person for the World Bank in Indonesia, explained social capital to me (in an interview) as being particularly useful for this very reason. Interview with Scott Guggenheim, Jakarta, December 15, 2005; Guggenheim also notes this in a paper: ‘It provided a much needed bridge to the Bank’s economists in a way that the traditional vocabulary of social structure, social organization and the like didn’t.’ Scott Guggenheim, ‘Crises and Contradictions: Understanding the Origins of a Community Development Project in Indonesia’, (2004), available online: \url{http://www.cultureandpublication.org/bijupdf/guggenheim.pdf}, accessed October, 2005, 16.
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market-led development. This attention is also, once again, demonstrative of the influence of NIE, given that risk can be seen as a transaction cost or the result of asymmetric information. It is also critically connected to a concern for market implementation. Within SIN, ‘coping’, ‘risk reduction’ and ‘risk mitigation’ strategies are posited to help the poor deal with the pressures of the market and nature. The approach is a perfect continuation of the remodelling of the social as the economic – a hallmark of neoliberalism – and the language used by the Bank in relation to safety nets is reminiscent of the vernacular associated with investment and insurance. Crucially, while the use of the word ‘social’ implies a communitarian approach to sharing risk, what is actually advocated is more in keeping with an individualist/user pays theme.

Emblematic of this is the chapter on managing risk and social safety nets in the *World Development Report 2000/2001, Attacking Poverty.*383 Towards the beginning of the chapter the *Report* states:

> Poor people are among the most vulnerable in society because they are the most exposed to a wide array of risks. Their low income means they are less able to save and accumulate assets. That in turn restricts their ability to deal with a crisis when it strikes.

> Economic growth is one way of reducing the vulnerability of poor people. As their incomes rise, they are better able to manage risks. However, at any point in time those who are poor will see their vulnerability lessened if mechanisms to reduce, mitigate, and cope with risks are available to them.384

It continues:

> The policy response to vulnerability must be aimed at helping poor people manage risk better by reducing and mitigating risk and lessening the impact of shocks. Such policies address the immediate problems of shocks and inability to cope with them. But they also lay the foundations for investment by poor people that can take them out of poverty. This report advocates a modular approach to risk management that adapts safety nets to the specific pattern of risk in each country and complements existing risk management strategies.385

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384 Ibid, 135.
385 Ibid.
What is notable here is that the responsibility for risk mitigation and reducing the vulnerability on the poor falls largely on the poor themselves. This ignores the structural situation that the poor find themselves in, which has often been made more volatile within an environment of liberalisation or neoliberal austerity. The approach, of course, takes liberal markets as the ideal norm, and thus suggests ways for the poor to adjust to the implications of this. Indeed, one of the underlying assumptions of the chapter is that the poor are risk averse (because a minor loss can be devastating for the poor) and that this hinders their ability to undertake higher risk activities that could yield benefits.386

Another concern that is associated with the Bank’s emphasis upon safety nets, which is central to SIN itself, is the issue of securing neoliberal reform.387 Here, the promotion of workfare programs, ‘targeted human development programs’ and social funds (in tandem with income diversification, the management of labour market risk and access to credit) are seen as crucial not only for poor people to pull themselves out of poverty but also for making ‘reform socially and politically feasible’.388

The functional, market-focused concern on the part of the Bank over risk mitigation and safety nets is palpable. Yet the influence of these social foci extend beyond purely helping to secure reform. Jayasuriya’s work on new contractualism (with its liberal aims and illiberal outcomes) has summed this up well.389 For him, market-based social policies, such as workfare programs, are significant in that they substantively alter the relationship between the state and citizen, resorting to a ‘…distinctive form of contractual governance’, which can result in illiberal outcomes.390 The emphasis here is on individual responsibility in the context of neoliberal globalisation:

Responsibility, in this context, refers to the ability to manage in a pro-active way the accentuated risks that flow from living in a globalised economy. Therefore, welfare recipients should seek to become active and responsible managers of their

387 This point is covered further in the next chapter on SIN’s delivery devices and political technologies that attempt to aid implementation. In the framework proposed within this thesis certain decisions have to be made with regard to SIN categories or, more specifically, what constitutes a prescription and what constitutes a delivery device or political technology. In this case there is some crossover (a similar case could perhaps be made about social capital). However, the weight of emphasis within the Bank’s work on safety nets and social risk management would seem to place it in the realm of prescription rather than delivery device or political technology.
lives and seek to enhance their economic independence. The goal of social policy is to promote this form of responsible agency and apply sanctions to those who refuse the norms of responsibility. This notion of responsible agency pervades a whole spectrum of new forms of regulatory governance…but it is in the new contractual social policy that its illiberal consequences are most keenly felt.391

The social safety net approach of the Bank is obsessed with making sure that liberal markets become further embedded and function efficiently. Here, what is important is ensuring that people have risk reduction and mitigation strategies (that operate in concert with risk coping strategies), while ensuring that the price of labour is ‘distorted’ as little as possible. Essentially, these strategies are seen as allowing the poor to be less risk-averse as market participants and limiting the ‘…unwanted distributional effects of policy reforms’392 – making reforms less likely to be reversed or rejected. What is noticeable, yet completely unsurprising, in this approach is that it is only those institutions that are ‘liberal-market compatible’ that are emphasised. Crucially, SIN’s social safety net promotion is concerned not with the equality of distribution but the equality of opportunity (that is, inclusion within the market), problematically de-linking the relationship between the two.393 Ironically, this point may make its target within the broader SIN framework – securing and sustaining market-led development given the reality of imperfect markets – extremely difficult to achieve.

Supplying markets with human capital and knowledge

In SIN’s attention to good governance, social institutions, social capital and social safety nets, a consistent string that joins them all together is their conceptual preoccupation, as institutional prescriptions, with market functionality. This theme of supporting the market, by addressing information asymmetries and transaction costs with institutions, is carried through to the Bank’s attention to human capital and knowledge. Indeed, this focus, seeks nothing less than to redefine notions of education and knowledge and expressly relate them to participation in the market. As Fine and Rose have noted, the Bank’s attention to human capital goes back some way. Stiglitz’s promotion of human capital actually rearticulated and pushed a position for human

capital, which was present in the previous consensus. However, the Bank’s attention to human capital and knowledge is now vastly more robustly promoted and integrated into the broader SIN framework. Here, NIE has also been influential, with education and knowledge emphasised in relation to the need to close ‘information gaps’ (in NIE lingo these could be called ‘information asymmetries’) – which are seen as being at the heart of problems of the poor.

Indicative of the Bank’s work on education, a 1995 World Bank report, *Priorities and Strategies for Education*, charted a highly functional role for learning that saw it directly linked to economic growth and poverty reduction. Here, education was seen as vital because it both satisfied the ‘…growing demands for adaptable workers who can readily acquire new skills’ and ‘support[s] the continuing expansion of knowledge.’

Vitally, what is at the heart of this approach to education is the emphasis upon supplying a source of labour that is relevant to the evolving demands of industry. Cammack has summed up the importance of education for the World Bank lucidly:

> Education, of course, is a good thing. The two points to note here, though, are that within the World Bank framework it is specifically geared towards equipping the poor to compete in the labour market, and that beyond that it aims to educate the emerging proletariat in social terms to accept the ‘sound economic and social policies’ the Bank promotes.

This functional attention to education has only increased with the ascendancy of SIN and is clearly evident in the current attention to ‘lifelong learning’ and the need for workers to adapt to the ‘ever-increasing competition’ of the global economy, in order to reduce ‘knowledge gaps’. A 2003 report by the Bank, *Lifelong Learning in the Global Knowledge Economy, Challenges for Developing Countries*, further demonstrates the emphasis upon education as human capital accrual in relation to the new economy. From this perspective, inexorable forces associated with globalisation

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mean that lifelong learning (for the ongoing development of relevant human capital) is critical for workers in underdeveloped countries to remain competitive in the knowledge economy. 399 Features of the knowledge economy – such as the increase of trade and competitive pressures, shorter product cycles, the new application and development of knowledge and the increasing importance of small and medium enterprises in the service sector 400 – require that a whole new effort is pursued that delivers a constant stream of ‘up to date’ workers ready for the next product cycle or technological shift.

The report describes the ‘four pillars’ (originally cited by the World Bank Institute) of the knowledge economy and, in doing so, highlights not only the highly-functional role of education within SIN but the way in which education for SIN proponents is incorporated in a reconfiguration of society as a site of production. The pillars are as follows:

- A supportive economic and institutional regime that to provide incentives for the efficient use of existing and new knowledge and the flourishing of entrepreneurship.
- An educated and skilled population to create, share, and use knowledge.
- A dynamic information infrastructure to facilitate the effective communication, dissemination, and processing of information.
- An effective innovation system of firms, research centers, universities, consultants and other organizations to tap into the growing stock of global knowledge, assimilate and adapt it to local needs, and create new technology. 401

Education, from this perspective, is to be completely overhauled, with new roles for teachers and students alike, where learning is transformed ‘to meet lifelong needs of learners’ and where teachers become lifelong learners themselves and ‘guides to sources of knowledge’ rather than ‘the source of knowledge’. 402 The private sector is also seen as playing an increasing role in education, ‘challenging and complementing’

401 Ibid.
402 Ibid, xix-xx.
what is seen as the poor quality and coverage of the public sector (in middle income countries), alleviating fiscal burdens and ‘promoting innovation’.\footnote{Ibid, xviii.}

There is also an unsurprising preference for market-friendly ‘cost-sharing’ funding arrangements for lifelong learning.\footnote{There is a user-pays theme underlying the approach to cost-sharing mechanisms. It is seen as efficient because the learner ‘…bear[s] the marginal costs of their education. They therefore make better (less wasteful) choices and study harder.’ Ibid, 79.} Government’s main role is seen as solely financing basic education, which is perceived as being associated with high ‘social returns’, and guaranteeing equity in access.\footnote{Ibid, 73, 76, 78.} Subsequently, education simply becomes another investment, where individuals take the risk of investing in their advanced education (acquiring human capital) in expectation of reaping the future private rewards.\footnote{Notably, the chapter begins with a quote from rational choice theorist Gary Becker (see chapter 3) that states: ‘Modern economies require that people invest in the acquisition of knowledge, skills, and information throughout most of their lives.’ World Bank, \textit{Lifelong Learning in the Global Knowledge Economy}, 73.} However, as Fine and Rose have made clear, the human capital approach to education, which draws upon human capital theory, is highly problematic. Human capital theory is the particular use of orthodox economic methods, where human capital is ‘…the accumulated capacity to be more productive’.\footnote{Fine and Rose, ‘Education and the post-Washington consensus’, 157.} While this allows it to follow certain traditions in theory, empiricism and policy, it exhibits many of the flaws that taint other analyses based around neoclassical economics.\footnote{Ibid.} Notably, human capital theory reduces education to a cost-benefit analysis for both individuals and the general economy.\footnote{Ibid.} The problem here is that education is seen as a ‘black box’ of inputs and outputs, with such an analysis neglecting the socially embedded nature of education.\footnote{Ibid, 157-159.} Even the refinement and incorporation of other factors beyond simple cost-benefit analysis is problematic for human capital theory because, ‘The more social factors are introduced to explain how education is produced to create human capital or to examine its effects in terms of returns, the more education is revealed to be linked to social relations, processes and structures.’\footnote{Ibid, 161.} Much like the notion of social capital covered earlier, one is left thinking that what really matters remains outside the human capital’s field of view.

Yet, like social capital, the human capital approach to education fits nicely with the imperfect market logic of SIN, where certain goods will be underprovided by the
market and therefore require state intervention in their provision to maintain efficient market operation. Key here, however, are that the limits for state provision are stipulated and, where private returns are seen to be significant, that individuals make investments in their own education.\footnote{This sentiment, of balancing between private and public provision, runs through SIN. It is well summed up by Stiglitz in his 1998 WIDER Lecture, where the ultimate goal is getting the market to operate: ‘The government should serve as a complement to markets, undertaking actions that make markets work better and correcting market failures. In some cases the government has proved to be an effective catalyst – its actions have helped solve the problem of undersupply of (social) innovation, for example. But once it has performed its catalytic role, the state needs to withdraw.’ Stiglitz, ‘More Instruments and Broader Goals: Moving Toward the post-Washington Consensus’, 41.} Crucially, from this position, the market should ideally operate in the provision of education and education’s significant role is to train and socialise people for productive, market-based output. In short, the attention to education through the lens of human capital by the Bank is yet another element in the attempted embedding of liberal market function.

**Conclusion: Complementarity within the New Basics**

The nexus between the different elements of the new basics is elegantly tight, displaying a thematic consistency that, despite rhetoric to the contrary, forms an important part of a clear SIN blueprint for development. Transaction costs, information asymmetries and imperfect markets justify and unite a new range of prescriptions to aid in reducing the impediments to successful market function. All of these prescriptions are woven together in a way that comprises one half of the complete SIN structure (the second half is described in the next chapter). Essentially, what we see described above is a set of mutually complementary prescriptions that can perform, in terms of policy generation, harmoniously together. Take for example, the illustration of complementarity that is evident between social capital and human capital, articulated in the Bank’s 2003 *Lifelong Learning in the Global Knowledge Economy*:

> By improving people’s ability to function as members of their communities, education and training also increase social capital (broadly defined as social cohesion or social ties), thereby helping to build human capital, increase economic growth, and stimulate development. Social capital also improves education and health outcomes and child welfare, increases tolerance for gender and racial equity, enhances civil liberty and economic and civic equity, and decreases crime and tax
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evasion. Education must be viewed as fundamental to development, not just because it enhances human capital but because it increases social capital as well.413

Yet, on the whole, the prescriptions of SIN, like the NIE that underpins them, are open to substantive challenge for their negation of power and structure. The analytical weakness of the prescriptive content of the SIN does not, however, mean that it is weak in its utility and influence for the Bank. While SIN’s prescriptions are pitched as beyond politics, this specification of institutional prerequisites is far from apolitical. Indeed, there should be no doubt as to where the balance of emphasis lies for SIN, focused as it is on the deep embedding of a highly market-based social arrangement. In sum, from the SIN perspective, what development needs is still the market, only now it also requires a ‘sensible’ complimentary institutional set – the new basics.

Chapter 5

Embedding the New Basics: the Delivery Devices and Political Technologies of SIN

In the previous chapter we looked at SIN’s new prescriptive set – the new basics. The purpose of this chapter is to detail what are described here as the ‘delivery devices’ and ‘political technologies’ of SIN: that is, those mechanisms and methods that are used by the Bank in an attempt to embed the new basics. In short, SIN builds in particular delivery devices and complimentary political technologies to aid with implementation. These are a critical element in distinguishing between the Washington consensus and the PWC. In the past, neoliberalism had, of course, been linked with particular delivery devices – in the form of projects, programs (notably structural adjustment programs) and other mechanisms. However, with the ascendancy of SIN, the nature of these delivery devices has changed. Indeed, many of these devices seek nothing less than to construct complex institutional sets (covered in the previous chapter) where previously they simply demanded certain policy shifts, such as the pursuit of fiscal austerity or liberalised trade. Furthermore, and crucially, these delivery devices are now coupled with political methods and processes (‘political technologies’, for short) that are focussed upon implementation, to get around earlier reform resistance. In tandem with the prescriptive elements of SIN, these elements have intensely political ramifications, implying massive repercussions for both the state and society.

Delivery devices here are understood as those instruments that attempt to deliver SIN’s prescriptive content. They include the now-familiar Poverty Reduction Strategy Papers (PRSPs), the increasingly ‘participatory’ Country Assistance Strategies (CASs), and individual projects and programs (although individual projects and programs are not considered in this chapter, as several are dealt with in the subsequent case study chapters). Political technologies are those methods and tools that attempt to shape the political terrain towards reform delivery. Here, a progressive-sounding language (whose lexicon includes words like ‘empowerment’ and ‘holism’), and an emphasis upon

414 The use of the term ‘political technologies’ came out of numerous discussions with Kanishka Jayasuriya on the methods and mechanisms within SIN and he deserves some credit for the expression. Furthermore, I was originally attracted to the term ‘delivery device’ after hearing its use numerous years ago to describe the function of cigarettes (as delivery devices for nicotine). Of course, the term is used here in a substantively different manner. The terms ‘delivery device’ and ‘delivery mechanism’ are used interchangeably in this thesis.
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policy-focused ‘stakeholder’ participation and partnership are key examples. Together, these delivery devices and political technologies warrant substantive attention in any discussion of the PWC, having been undervalued in the critical literature, which has focused predominantly upon SIN’s policy prescriptions.\(^{415}\) Indeed, one of the key strengths of the framework proposed in this thesis, centred around SIN, is that (in tandem with taking into consideration the politics that the PWC is enmeshed in at local, national, international and organisational levels), it clearly identifies these delivery devices and political technologies and explains exactly what their purpose is and how successful they are at fulfilling that purpose. This brings us back to the crux of understanding SIN and its relationship with implementing neoliberal reform. This analysis is further consolidated in the case study chapters.

Like the new basics, in total and in isolation SIN’s delivery devices and political technologies exhibit an anti-politics tendency and cannot be ignored in analysis of the PWC. Indeed, these delivery devices and political technologies attempt to shape both national and supra-national political terrains in order to harness those elements that are amenable and congenial to the market extension project (of which the Bank is part), while impeding and obscuring those that are inimical or problematic to it. When operationalised, these devices and technologies have important roles within the Bank’s work and the broader legitimacy-building project associated with embedding SIN as a hegemonic paradigm. For example, participatory processes (as political technologies) used by the Bank attempt to contain and indeed marginalise the conflict – especially class conflict – endemic to market relationships, while at the same time seeking to further capitalist relationships that indeed exacerbate such conflict (this is elaborated in detail in the case study in chapter six).

This chapter first outlines and provides a critique of what can be understood as the \(\ddot{u}ber\)-delivery device of SIN – the World Bank’s Comprehensive Development Framework (CDF). Essentially, the CDF provides a structure for the advocacy of SIN’s highly specific institutional set – the new basics (which were covered in the previous chapter) at both a national and supra-national level. It also encapsulates many of SIN’s

\(^{415}\) Indeed, as was explained in the first chapter, while there has been a great deal of useful literature related to understanding the PWC and the World Bank, it often suffers from a neglect of this very point, concentrating instead on policy content rather than the political approaches to managing the embedding of policies themselves. See for example Jonathan Pincus and Jeffrey Winters (eds), *Reinventing the World Bank*, (Ithaca: Cornell University Press, 2002); Ben Fine, Costas Lapavitsas and Jonathan Pincus (eds), *Development Policy in the Twenty-First Century – Beyond the post-Washington Consensus* (London and New York: Routledge, 2003) or Paul Cammack, ‘What the World Bank Means by Poverty Reduction, and Why it Matters’, *New Political Economy*, vol. 9, no.2 (June 2004).
broader themes – such as empowerment and holism. In the analysis of CDF below, we see how its language of ‘holistic approaches to development’, ‘country ownership’ of the development agenda, ‘partnership’ and a focus upon ‘development results’ connects with a conception of ‘knowledge’ which embodies roles for ‘civil society’ and ‘good governance’ for example. It is important to look in detail at the language of SIN itself (as a political technology within a delivery device – the CDF) which, on the surface, looks extremely progressive and promising. This is because, when we interrogate SIN’s work at a lower level this appearance is substantively challenged.

The second section of the chapter looks at two more critical delivery mechanisms of SIN – the PRSPs and CASs – which are both related to affecting change at the national level and below. Both of these, along with individual projects and programs that are associated with these devices, constitute the ‘business end’ of SIN, connecting intimately with the CDF. Crucially, these devices bundle up for delivery the ideas highlighted in the second and third chapters – NIE and the ‘new basics’.

However, these devices are only one part of SIN’s scaffolding for embedding policies. Vitally, devices like the CASs and the PRSPs are connected with specific political technologies that actually attempt to shape social and political topographies in ways that are congenial to embedding SIN reform. Here, highly circumscribed processes of participation, partnership and consultation with civil society are key examples. Furthermore, all of SIN’s delivery devices and political technologies are joined together in a reframed version of conditionality. These are covered in the final section of this chapter.

All of this challenges the rhetoric of SIN (most evident in its progressive-sounding language) substantively. What in fact is being attempted is nothing less than the deep-embedding of the prerequisites for liberal market capitalism. SIN’s delivery devices and political technologies provide a new framework for what is to be adopted and the method of adoption/imposition respectively. These are very important facets of the PWC, illustrating the highly ambitious nature of it as a political project and making illusory its apolitical, ‘common sense’, projection. In short, the Bank seeks to embed certain highly political prescriptions with a set of tools and methods that are designed to overcome the implementation issues of the Washington consensus. However, as the

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case studies make clear (especially that within chapter seven) the limits of these delivery devices and political technologies are more than evident in their ability to circumvent reform impediments.

**The CDF as an über-delivery device of SIN**

Launched in early 1999, the Bank’s CDF is an über-delivery device that packages up the prescriptive content covered in the previous chapter and connects it with other delivery devices and political technologies. Notably, the CDF, like the Bank under Wolfensohn generally, has drawn criticism from various groups and individuals across the political spectrum and within the Bank also.\(^{417}\) However, it is important not to undervalue the significance of the CDF within SIN and its ascendancy – both in terms of its central position within the Bank’s work, pulling together many of the organisation’s foci, and its influence outside of the Bank. For example, the CDF has influenced the PRSPs and CASs\(^{418}\) – two core facets of the operational relationship between the Bank and individual countries which, in-turn, influence projects and programs (see figure 1 below). Importantly, also, the CDF has played a catalysing role in attempting to generate policy and implementation harmonisation. In this regard, its themes are also found in the IMF’s Poverty Reduction Growth Facility (PRGF) – the Fund’s low-interest lending facility for low-income countries – which is targeted specifically at the organisation’s main concern of macroeconomics. Furthermore, the CDF (and the PRSPs) directly link up with the Millennium Development Goals (MDGs).\(^{419}\) Finally, key initiatives and ideas that bear the influence of both Stiglitz and

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\(^{417}\) See for example Stephen Fidler, ‘Who’s Minding the Bank?’, in *Foreign Policy* (September-October 2001), 45-46; Interestingly, in an interview with one senior Bank country staffer, it was noted that the role that the CDF now played in day-to-day operations was significantly downplayed. Furthermore, the CDF was portrayed by this person, merely as a more overt articulation of what people in the Bank had been working on well before Wolfensohn’s signature discussion draft on CDF was circulated to Bank staff. Interview with senior World Bank country office staffer, Manila, 2005; James Wolfensohn, ‘A Proposal for a Comprehensive Development Framework’, Discussion paper circulated to World Bank staff, January 21, 1999, available online: http://siteresources.worldbank.org/CDF/Resources/cdf.pdf, accessed January 9, 2007.


Wolfensohn, such as the ‘Development Gateway’ and the ‘Knowledge Bank’ (with its focus upon ‘knowledge sharing’) connect with and echo many of the CDF’s components. In this way, it is a delivery device that attempts to target national and supra-national levels with its policy and thematic set.

The Bank sees the CDF not as a normative ‘blueprint’ but as providing a ‘compass’. Interestingly, though, on further analysis the CDF (and the programs and projects it informs and is connected to) is highly prescriptive and advocates a harmonisation in line with a very narrow set of policies. As will be made evident, the prescriptive fundamentals are not up for discussion – rather the thematic focus is upon how best to achieve or ‘deep-seat’ the new basics (covered in the previous chapter).

At first glance the CDF appears all encompassing and somewhat sanguine. It endorses a recognition and consideration of the social, environmental and human aspects of development – giving it a distinctly progressive appearance. There are emphases upon the importance of ‘country ownership of the development agenda’ and ‘partnership’ between the Bank and its key development partners: civil society, business, donor organisations and government. And, according to the Bank, the CDF forms an acknowledgement that the nature of its work has changed, moving ‘beyond simply financing projects – and even beyond supporting only discrete policy reforms, such as trade liberalization – to addressing broader issues (such as human and social development, governance and institutions)’.

In this light, the CDF looks distinctly different from the top down and decidedly technocratic approach of Washington consensus. Therefore, it is perhaps unsurprising that technocratic neoliberal stalwarts such as Lawrence Summers have had grave reservations about some of the elements associated with CDF and Wolfensohn’s incumbency more generally. Nevertheless, the CDF is actually an important articulation of the importance of key constituencies in the implementation of neoliberal reform rather than a departure from neoliberalism.

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420 The Development Gateway Foundation, which operates the Development Gateway portal, is another initiative conceived by Wolfensohn and is described as an independent, not-for-profit organisation designed to facilitate the use of information technology to ‘increase knowledge sharing’, ‘the promotion of more effective government’, and the promotion of partnerships with developing country organisations. The portal (Development Gateway) constitutes one of the main programmes of the Foundation. See Development Gateway Foundation, ‘About this Portal’, available online: http://home.developmentgateway.org/editor/aboutportal.do, accessed January 9, 2007, and Development Gateway Foundation, ‘About DGF’, available online: http://www.dgfoundation.org/about.html, accessed January 9, 2007.

421 World Bank, ‘Comprehensive Development Framework, Frequently Asked Questions’

422 Ibid.

423 Ibid.

424 Ibid.

In addition to recognising the ‘interdependent elements’ and important groups within the development reform process, the CDF appears to offer choice in approach. For example, the country is conceived of as being ‘in the lead’, ‘owning’ and ‘directing’ the ‘development agenda’. Both ‘ownership’ and ‘direction’ allude to traditional conceptions associated with the selection of property: you choose what you want to own and you ‘direct it’, or do with it, as you wish. Additionally, ‘being in the lead’ would seem to imply that this situation is one of sovereign empowerment. Evidence, however, suggests that this is not actually the case.

Interestingly in this regard, the paragraph cited above importantly reveals the omission of broad based political consultation (consultation is a key but highly limited feature of the CDF) or consideration – the emphasis is on those elements that are perceived by the Bank as the most politically significant in attaining and sustaining liberal-market reform and function. Indeed, overall, the CDF mechanism exhibits corporatist and functionalist tendencies. Rather than offering a radically new approach where non-neoliberal frameworks for development are a possibility, as Jonathan Pincus has remarked, ‘[t]he arrival of the comprehensive development framework, however, suggests that the inclination toward social engineering remains as strong as ever.’\footnote{Jonathan Pincus, ‘State Simplification and Institution Building in a World Bank-Financed Development Project’, in Jonathan Pincus and Jeffrey Winters (eds) \textit{Reinventing the World Bank} (Ithaca: Cornell University Press, 2002), 78.} In order to grasp this, it is worth briefly going through several of the most important concepts that are both contained within and associated with the CDF.

As noted above, the principles contained within the CDF appear positive and progressive (in comparison to the previous top-down development of the Washington consensus). This is illusory because the principles within CDF entail ‘owning’ and ‘choosing’ a version of ‘holistic development’ that is prescribed and endorsed by the Bank. Within CDF, a country cannot just address social, structural, human, governance, environmental, economic and financial factors in any particular way.\footnote{As stated above, social, structural, human, governance, environmental, economic and financial factors are core emphases within the CDF. World Bank, ‘Comprehensive Development Framework, Frequently Asked Questions’.} As we saw in the previous chapter on SIN’s new basics, there are very specific interpretations by the Bank of how these elements should be conceptualised. Here an intersection takes place in a substantive way with the inclusion within SIN of a notion of ‘knowledge’ (which largely revolves around the new basics) which, in turn, becomes a new mechanism for conditionality. In short, to get the Bank’s endorsement recipient countries must be seen
to own and adopt the ‘right knowledge’. The knowledge that a particular country must accrue in order to ‘own’ and develop a ‘holistic, long-term’ approach to development, of course, can be found in the Bank literature on good governance, social capital and so on. In a similar way, ‘partnership’ and ‘development results’ – the third and fourth principles of the CDF – entail homogeneity around the Bank’s way of thinking on the part of both donors and recipient. All in all, the CDF is an all-encompassing mechanism for the delivery and advocacy of the new basics.

The first principle in the CDF is centred around a country having a long-term vision, which is to be connected to a strategy. This principle is also attached to a notion of ‘holism’. Together the long-term strategy and holism are related to delivering SIN because the particular vision that a country develops, from the Bank’s perspective, has to draw from all of the other CDF principles (including SIN’s prescriptions). This point is important generally in understanding the CDF as a broader matrix that promotes consistency and coherence around an application of the Bank agenda, rather than a truly country-initiated and owned agenda. The long-term vision (10-15 years) that is demanded in the CDF from a country has to demonstrate comprehension of that country’s problems and opportunities, taking into consideration both constraints and governmental capacity. This vision, is supposed to be disseminated as widely as possible – ‘capturing the aspirations of the people’ – and while preferably based on ‘concreteness’ and ‘realism’, it should be an accurate reflection of country-wide aspirations. Country specificity in the vision is also emphasised and the vision supposed to be complimented with a shorter-term ‘strategy’ (such as a PRSP or other medium-term development plan, for example) that explains how a country is to progress towards the long-term vision.

Two issues come immediately to mind here, that also relate to other elements of SIN (as the reader will recall from previous chapters). Firstly, the CDF elements covered above still imply that development problems are predominantly national issues and that, subsequently, the solutions to these problems are predominantly national ones. Here, the adoption of a uniform package of Bank prescriptions at the country-level is

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429 Ibid.
430 Ibid.
431 Ibid.
432 Ibid.
seen as a significant part of a remedy. Yet a truly comprehensive development framework would recognise that many of the issues that countries face in developing are located above and outside their borders, beyond their control – a fact that receives no substantive attention in CDF. This is actually one of the core problems with the CDF that also comes up repeatedly in SIN’s prescriptions. For example, the attention to trade in connection with the CDF is telling. There is very little recognition of the barriers above and beyond the borders of the developing world in the CDF. Secondly, it also presumes that a ‘shared vision’ can exist based around the World Bank’s agenda at times of relative scarcity where massive conflicting material interests continue to operate, and can indeed be furthered by the Bank’s very approach. In this regard, the roles that the Bank accords to civil society and government should not come as a surprise, as will be explained later. However, the premise that such a shared vision can exist and be managed is open to significant question (as is made evident in the case study in chapter seven).

The second principle in the CDF is country ownership of the development agenda. This obviously connects with the first principle and is once again linked to the delivery of SIN’s prescriptions. Country ownership sounds incredibly progressive at first. Ownership typically implies choice for the owner. In the CDF ownership is supposed to be generated through government leadership, analysing problems and opportunities and implementing solutions. Beyond this, government is posited an explicit role as a consensus builder (both externally and internally), ‘drawing on democratic structures as appropriate – with other parts of society, including civil society, the private sector and the country’s external partners.’

While government, the private sector and civil society are allocated roles in generating consensus, and promoting unity and harmonisation there is, of course, the

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433 This is epitomised by the following: ‘Country Ownership is paramount, with nations accepting responsibility for their own development, and with strategies tailored to country circumstances and involving broad based participation’. World Bank ‘Comprehensive Development Framework, Frequently Asked Questions’. Somewhat ironically, an article by the Bank on evaluating the CDF details that the impetus for the CDF came out of a ‘candid self-assessment’ about aid allocation and its management that was undertaken in response to poor development results – especially in sub-Saharan Africa. Rather than looking at the policies, and the paradigm underpinning them, as a potential source of problems the issue that the CDF is most focused upon is one of implementation of the ‘correct approach’. See World Bank, ‘Toward Country-Led Development: A Multi-Partner Evaluation of the CDF’, Précis no. 233 (Summer 2003), 1.

434 Trade is an element in the CDF. However, the Bank shies away from some of the big trade issues that should be part of a development-focused framework. See World Bank ‘Comprehensive Development Framework, Frequently Asked Questions’.


436 Ibid.
rather major issue of politics to be considered here. This is a problem that goes to the
heart of SIN – its anti-politics tendencies. Even in comparatively well-resourced
western democracies government doesn’t perform a consensus building role – both
agendas and decisions are politically contested by many of the groupings listed above in
a sea of political divergence. For governments in the Third World the possibility of
building consensus with the multilateral organisations, civil society, and the private
sector for example – ‘drawing on democratic structures as appropriate’ – seems
implausible. Here, however, the problems go beyond consensus building – they
challenge the very validity of using the term ‘ownership’ in the way that the CDF uses
it. Indeed, that the ‘vision’ to be ‘owned’ involves a consensus between multilateral and
domestic ‘partners’, in an environment of high-leverage (naturally inherent in the
lender-borrower relationship), challenges uncritical notions of both consensus and
ownership.

The third and fourth principles of the CDF, ‘country-led partnership’ and
‘development results’, only serve to complete the new matrix that attempts to enforce
homogenisation around SIN. By partnership, the CDF continues with the themes
associated with the first two principles perfectly. Indeed, the consensus demanded by
CDF of specific interests (such as developing governments, civil society, the private
sector, the multilateral financial organisations (MFOs), the regional banks and national
donor agencies) attempts to force an alignment around the policies of the MFOs,
because in many cases the Bank and the Fund are important sources of finance. In this
respect the MFOs harbour significant political power in that they hold the final card –
access to money.437

The emphasis on ‘partnership’ in CDF is upon reducing the inefficiencies of
multiple approaches of donor agencies and there is a call for donor alignment and
common practices and procedures.438 This aspect is reasonable enough from a purely
procedural point of view. As Bretton Woods Project (BWP) has noted, recipient

437 In an article on harmonisation and coherence in relation to the multilateral financial organisations, the
Bretton Woods Project (BWP) has noted that ‘[t]he key process through which the Bank hopes to
‘harmonise’ development is the Poverty Reduction Strategy Paper (PRSP). From the outset, country
ownership has been a central tenet of PRS formulation. However, as long as the PRSPs have to pass the
Boards of the Bank and Fund to obtain funding, governments produce remarkably similar outputs.
Jubilee South (cited in the BWP document) reports that “in some cases, the rush was such that the IFIs
simply took over the task of writing the PRSPs in a way that would meet the approval of the Boards in
Washington.”’ Bretton Woods Project, ‘At Issue: Harmonisation and coherence: White knights or
Trojan horses?’, available online:
438 World Bank ‘Comprehensive Development Framework, Questions and Answers’.
countries have been ‘…drowning in donor bureaucracy for decades.’ But as BWP makes clear, the problem with the Bank’s work stems not from the harmonisation of procedures but from the ‘…standardization of donor policies’. These two distinct features of harmony of procedures and standardisation of donor policies seem to be conflated in the CDF approach as one and the same. This coerced homogeneity places the CDF in a stark political context that belies its language of ownership, partnership and holism.

The connection that makes the CDF homogeneity-generating matrix complete is the final principle of ‘development results’. Part of this focus undoubtedly stems from key studies about aid effectiveness and the sorts of pressures placed upon the Bank and other MFOs (see chapter two) that culminated in critical attention from NGOs, academics and others. Notably, reports such as Assessing Aid and the well-known work by Burnside and Dollar, argued that aid effectiveness was best allocated to areas that demonstrated good governance. One significant result of this question mark over aid performance has been an increased emphasis upon development results. However, which development results are looked out for and the ways in which development results are assessed matters. Once again, the focus is of course national rather than multilateral – what matters is whether a particular government has put in place monitoring systems to measure results and whether information is widely available to stakeholders. Crucially, the Bank sees the PRSPs and their associated ‘annual progress’ reports which detail policy goal progress and other ‘monitorable indicators’ as important in this process. PRSPs have to pass Bank board approval, thus, turning the monitoring of development policy results into an important element in the new conditionality mechanism and, as we will see, the content of the PRSPs is very specifically ordered (echoing the influence of the CDF) around the Bank’s approach. Furthermore, the Country Policy and Institutional Assessment (CPIA) of the Bank, which allocates IDA funds on the basis of policy and institutional quality rankings, is

439 Bretton Woods Project, ‘At Issue: Harmonisation and coherence: White Knights or Trojan Horses?’.
440 Ibid.
another piece of this puzzle (dealt with below in the section on the Country Assistance Strategies – CASs).

In a review of the CDF, the Bank has highlighted the problems associated with the area of ‘development results’. Consequently, the focus that the Bank sees as desirable, at least at a country level, returns in a substantive way to the MDGs (perhaps the most overt elements of the recent development result push). However, what is crucial here is that the Bank sees the quickest way to achieve the MDGs as relating to the complete ensemble of policies that are embodied within the CDF. Thus, the results-based focus in the CDF, when analysed with the other principles, attempts to prompt recipient countries into arrangements where their progression towards SIN homogeneity can be monitored.

For an umbrella concept that alludes to something progressive and empowering the CDF is really merely one important element in the restructuring of conditionality. This time around, though, a veneer of ‘choice’ is more apparent than under the Washington consensus. However, the sincerity of this choice is still conditioned in no small part by the reality that one cannot ‘bite the hand that feeds’ – at least not too hard anyway. CDF attempts to ensure that if countries need funds from the Bank, then their promoted approach (which may be thwarted by interests when it comes to implementation) will most likely include a very specific version of ‘holism’, in which they will ‘own what they have to own’ (in terms of prescriptions) in order to satisfy the lender/donor first and foremost.

Delivering the prescriptions of SIN at lower levels: Poverty Reduction Strategy Papers, Country Assistance Strategies and the Country Policy and Institutional Assessment

The link between the CDF, the PRSPs, CASs (and the IMF’s PRGF) has already been noted above. However, it is important to briefly look at these delivery devices

\[444\] The report on the CDF noted some of the complicated issues related to development results: ‘Of the four main principles of the CDF, the focus on and accountability for development results is the area where least progress has been made. There are a number of reasons for this. There is still much to learn about how the linkages between policy actions and development results are operationalized. In part, limited progress can also be explained by the lack of monitoring capacity, a frequent lack of baseline data, weak capacity to select appropriate goals, and a lack of country ownership of monitoring systems which are often seen as externally imposed. Fewer than half the 46 countries have adequate development coordination information systems, and in only a quarter are governments putting in place a mechanism to track development results. Achieving accountability for results remains a challenging task, but the factors already cited cannot, on their own, account for the overall lack of progress. For example, only a small proportion of countries are making development information accessible in a transparent manner to all stakeholders.’ World Bank, ‘Comprehensive Development Framework, Meeting the Promise?’, 5.
individually, as they each play an important role in the attempted delivery of SIN. It is perhaps useful to begin with the PRSPs, which the Bank describes as ‘…the most tangible outcomes of the new approach to development’ that has been shaped by the CDF.\footnote{World Bank, ‘Poverty Reduction Strategy Papers’; James Wolfensohn and Stanley Fischer, ‘The Comprehensive Development Framework (CDF) and Poverty Reduction Strategy Papers (PRSP)’, a ‘joint note’ (April 5, 2000) available online: \url{http://www.imf.org/external/np/prsp/pdf/cdfprsp.pdf}, accessed May 31, 2004.} The PRSPs came out of the agreement by the Bank and the Fund, made at their annual meetings in September 1999, for nationally owned poverty reduction strategies.\footnote{World Bank, ‘Annual Report 2000’ available online: \url{http://www.worldbank.org/html/extwb/annrep2000/poverty.htm}, accessed January 9, 2007.} By August 2004, 49 interim PRSPs (I-PRSP) and 40 PRSPs had been presented to the Bank Board.\footnote{World Bank, ‘Board Presentations of PRSP Documents As at August 31, 2004’, available online: \url{http://www1.worldbank.org/prem/poverty/strategies/boardlist.pdf}, accessed September 1, 2004. The regional breakdown of I-PRSPs produced is as follows: sub-Saharan Africa: 26; East Asia and the Pacific: 4; Europe and Central Asia: 10; Latin America and the Caribbean: 5; Middle East and North Africa: 2; South Asia: 2. For PRSPs sub-Saharan Africa has produced 20; East Asia and the Pacific: 4; Europe and Central Asia: 8; Latin America and the Caribbean: 4; Middle East and North Africa: 2; South Asia: 3.} PRSPs are essentially documents produced by the world’s poorest countries in order to gain access to both concessional lending from the Bank (via the International Development Agency – IDA – the World Bank’s concessional lending body) and the Fund and in order to secure debt relief through the Highly Indebted Poor Country initiative (HIPC).\footnote{International Monetary Fund, ‘Debt Relief Under the Highly Indebted Poor Countries (HIPC) Initiative’, (September 2006) available online: \url{http://www.imf.org/external/np/exr/facts/hipc.htm}, accessed January 29, 2007.} An I-PRSP is prepared where a particular country isn’t in a position to prepare a full PRSP. This allows a borrower to gain concessional lending or debt relief while providing a plan for the development of a full PRSP.\footnote{World Bank, ‘Questions and Answers’, available online: \url{http://web.worldbank.org/WSBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,menuPK:384209--pagePK:162100--piPK:159310--theSitePK:384201,00.html}, accessed January 9, 2007.}

Annual progress reports are also built into the PRSP process. Either a PRSP, I-PRSP or annual progress report that receives – and this is very important in terms of the maintenance of conditionality – the approval of Fund and Bank Boards stands as a prerequisite for HIPC countries reaching a decision or completion point, approval of the Fund’s PRGF (which replaces the Enhanced Structural Adjustment Facility - ESAF) and or IDA lending. Directly connected to the various PRS documents, Joint Staff Assessments Notes (JSANs) – previously Joint Staff Assessments (JSAs) – are presented to the Boards of Executive Directors of the Bank and the Fund and provide perspective on progress. While the earlier JSAs were expected to advise whether a

According to the Bank, PRSPs have allowed countries to ‘…address their investment climate and prescribe measures to foster private sector development, and to chart plans to improve governance and reduce corruption.’\footnote{World Bank, ‘Poverty Reduction Strategy Papers’.} The Bank role in the PRSP process is seen as providing ‘technical and financial assistance to support designing and implementing national poverty-reduction strategies’.\footnote{Ibid.} Here, the focus has been upon ‘strengthening governance and legal and judicial institutions’ and assisting countries with monitoring and accountability processes, using annual programmatic loans known as Poverty Reduction Support Credits (PRSCs), which come with important benchmarks for assessment.\footnote{Ibid.}

The potential depth of influence indicated here is substantive and the ongoing relationship is clearly attached to a \emph{new level} of structural adjustment. The IMF’s PRGF is closely associated with the PRSP process, only with the PRGF there is an explicitly limited focus upon the Fund’s core concerns of macroeconomics and governance.\footnote{International Monetary Fund, ‘The Poverty Reduction and Growth Facility (PRGF) – Operational Issues’, available online: \url{http://www.imf.org/external/np/pdr/prsp/poverty2.htm}, accessed September 8, 2004.} Importantly, the Bank’s material on PRSPs illustrates that the CDF’s influence is starkly evident. The five principles that the PRSPs are centred around echo the CDF with the language of country-driven, results focused, comprehensive approaches that emphasise ‘partnership’ and long-term perspectives, drumming home the CDF’s core facets almost verbatim.\footnote{World Bank, ‘Poverty Reduction Strategy Papers’, 1. See also, Celine Tan, ‘The Poverty of Amnesia in Structural Adjustment’, in Diane Stone and Christopher Wright (eds), \textit{The World Bank and Governance: A Decade of Reform and Reaction} (Abingdon: Routledge, 2006), 148-149.}
A point should be made here about ‘harmonisation’, which is an important part of the PRSP process. This echoes the legacy of the Washington consensus in an eerie way – dispelling any myth that the fractures between the Bank and the Fund, that were at a high point during the Stiglitz fiasco, have had a major impact upon Bank-Fund relationship. If anything, significant effort has been made to emphasise that the present requires tighter harmony between the two organisations, with the PRSP process presupposing an even tighter working relationship between the Bank and the Fund.457

Overall, what is striking about PRSPs as delivery devices is the degree to which they are designed to generate the output of what the Bank and Fund want to hear. Here again, the inherent leverage between donor and recipient is critical. Indeed, put simply, because PRSPs function as prerequisites for access to IDA money and HIPC status, requiring the approval of both the boards of the Bank and the Fund ensures such homogeneity.458 In this effort, they move well beyond the attempt to alter policy in a strategically targeted manner (as with structural adjustment), actually attempting to influence ‘the process of formulating national economic plans.’459 As Tan states, in contrast to structural adjustment:

The CDF-PRSP approach instead seeks to reinstate the regulative capacity of the state through the reconfiguration of key domestic processes and institutions and by linking the disbursement of financing to such reforms.

This process of restructuring the state apparatuses takes place on two fronts: (1) through the imposition of a standardized mechanism for policy discussion and formulation – the PRS process – and a universal blueprint for developing national development plans – the PRSP document; and (2) through efforts to centre key policy-making processes on the PRSP and to standardize bureaucratic practice along the principles established by the PRSP approach… 460

Van Waeyenberge has noted the volume of literature that is critical of the ‘insufficient depth and breadth’ of participatory involvement in the process feeding into PRSPs and

458 Pascale Hatcher has made a similar point in relation to the PRSP. See Pascale Hatcher, ‘Partnership and the Reform of International Aid’, in Diane Stone and Christopher Wright (eds), The World Bank and Governance: A Decade of Reform and Reaction (Abingdon: Routledge, 2006)
the impact that this has upon ownership. She also points to the recognition of homogeneity in the PRSPs, with a ‘striking recurrence of such policy initiatives as trade liberalisation, privatisation, investment deregulation and fiscal stringency.’ In short, the PRSP is a critical device in attempting to guarantee SIN homogeneity through an altered form of conditionality that gives the appearance that countries are ‘owning’ their development approach (as demanded by the CDF). However, the production of a PRSP is done in a highly political environment that, in no small way, provides incentives to encourage adherence to Bank orthodoxy on the part of PRSP-producing countries.

Another critical delivery device for the Bank is the Country Assistance Strategy (CAS). CASs are prepared by the Bank for all current borrowers from the International development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). While the CAS was developed in the early 1990s, increasingly it has become further enmeshed with SIN’s other mechanisms and technologies, drawing in the use of consultation processes (see chapter seven) and connecting up with development plans (including PRSPs). An important function of a CAS is to present an appraisal of reform progress and detail the risks the Bank sees in a particular country. It also typically provides an assessment of domestic political and economic shifts and the evolving Bank involvement in the country. This means that unlike PRSPs, every country that receives Bank funds has a CAS. Vitally, while CASs are now often developed after consultative participatory processes (a form of political technology covered below), they are not negotiated documents and are produced by the Bank country offices and those staff attached to them in Washington. The Strategies are designed to provide a ‘diagnosis’ of a country’s ‘development challenges’ and seek to reveal the core areas where the Bank can be most effective in its work with that country. This diagnosis includes an assessment of the Bank’s portfolio performance in a given country, the country’s creditworthiness, the potential for reform implementation and the levels of institutional integrity evident in a member country.

World Bank, ‘Country Assistance Strategies’.
Ibid.
Finally, and crucially in terms of conditionality, the Strategies are becoming ‘increasingly results focused’. 467

That a CAS’s assessment of a country’s position is directly connected to what is possible or not (in terms of the Bank’s portfolio with a member state) makes the CAS an extremely important document. In essence, as a document that is approved by the Bank’s Board, it is the core instrument that determines the extent to which a Bank can work with a particular country. Importantly, like the PRSP, the CAS links SIN’s prescriptive content up with a framework for monitoring performance. It is important to understand this relationship, because it details the very point of leverage that the Bank has through the CAS. Drawing upon the influence of the CDF, a CAS is supposed to start out from ‘the country’s own vision of its development goals’, 468 which can take the form of a PRSP or other strategy. Here, once again, it is obviously in the interests of a country (if it wants access to Bank support) to prepare a plan that satisfies the Bank. The CAS then details how the Bank views a country’s situation, providing signals to both the Bank’s Board and recipient countries as to where the organisation sees weaknesses and how these relate to the Bank’s allocation of resources.

For example, the 2006-08 Philippines CAS, (which is looked at in the case study in chapter seven), presents an assessment of that country’s situation – focusing upon certain institutional predicaments (such as capture by interests) – and a forceful articulation of the manner in which this impacts upon investor confidence, growth and poverty reduction. 469 In turn the CAS presents an overview of the Bank’s ‘engagement strategy’ and the way in which its program is to be delivered. 470 It is connected to the Philippine Government’s Medium-Term Philippine Development Plan (which looks very similar in content and form to a PRSP). Importantly, also the Philippine CAS presents an analysis of the problems for reform under the previous CAS period (2003-05) – noting that this constrained the Bank’s capacity to meet certain lending thresholds, which required reform progress to be made for the Bank to increase its portfolio. 471

A note should be made about the delivery device of the CAS and its relationship with the Country Policy and Institutional Assessment (CPIA), which in itself can be

467 Ibid.
470 World Bank (Philippines), Supporting Islands of Good Governance.
471 Ibid, 61, 62.
considered part of yet another delivery mechanism of SIN. In the case of IDA borrowing countries a further mechanism of leverage is rendered via a system that makes annual assessments of a countries policy and institutional situation, largely via the CPIA.\textsuperscript{472} It includes criteria based around the areas of economic management, structural policies, social inclusion and equity and public sector management and institutions.\textsuperscript{473} The analysis of these criteria is combined with an annual portfolio assessment that is concerned with implementation progress, with a governance factor is considered also.\textsuperscript{474} From these three elements, a performance rating is generated that means that higher performers get a higher proportion of IDA funds.\textsuperscript{475} This ‘allocation norm’ stipulates the funding available to countries for a period of three years, setting the ‘resource envelope that each country could expect to receive if its performance stays the same and assuming a pipeline of quality projects’.\textsuperscript{476} The connection between the performance rating and CAS is highly important in that when a new CAS is drafted the allocation norm sets the base-case financing level in a given country, as well as informing the triggers for portfolio possibilities (expansion or reduction etc.).\textsuperscript{477}

In sum, the CAS is a delivery device of SIN (in tandem with an individual country’s own development plan to which it is connected) that uses the inherent leverage within a donor/recipient relationship in a manner that attempts to alter state form, in return for access to funds. In IDA recipient countries, this mechanism is tied to the mechanism of the PRSP and a further performance allocation mechanism (which includes the CPIA) to form an important matrix of checks and balances tied to financial incentives (access to funding) that attempts to deliver SIN.

\textit{Political technologies of SIN: participation and partnership}

While delivery devices such as PRSPs and CASs are an essential component within SIN, critically, they now work in concert with a set of political technologies that are related to assisting in the implementation of SIN’s prescriptive content. Most apparent

\begin{itemize}
\item [474] Ibid.
\item [475] Ibid, 2.
\item [476] Ibid.
\item [477] World Bank, World Bank (IDA), ‘Allocating Funds Based Upon Performance’, 2; Van Waeyenberge, ‘The Missing Piece: Country Policy and Institutional Assessments at the Bank’, 20. A base case in a CAS sits between a high case and low case. A ‘high case’ typically allows for a potential expansion of Bank funding to a given country when reform implementation is seen as being on track or advancing quickly. In contrast, a low case is often associated with the increase in concerns on the part of Bank in relation to a member country and results in a restriction of funding.
\end{itemize}
here are participatory processes and partnership arrangements (the language of SIN, noted above and covered further below, can also be considered a political technology). It is worthwhile looking at the way in which these political technologies are woven into SIN in an attempt to embed its policies. Indeed, the inclusion of these technologies is a major point of departure from the previous consensus, where the Bank has attempted to move somewhat beyond traditional methods of conditionality by using particular techniques to build consensus and marginalise and contain those elements not congenial to the SIN project.

Importantly, the logic associated with political technologies such as participation and partnership connects strongly with a narrow reading of civil society, empowerment and decentralisation. These, in turn, link up with a concern for the implementation of the new basics (covered in the last chapter). It is important to understand the way in which these concepts intersect at the thematic and policy levels. John Harris has described the link well:

In the contemporary discourse on development articulated in international agencies, notably the World Bank, there is a good deal of emphasis upon the virtues of ‘participation’ – sometimes also taken as implying ‘empowerment’ – and upon ‘decentralization’, which is seen either as the key means of realizing participation or sometimes as being more or less equivalent to it. These three buzz-words are used in close alliance with the two others, ‘social capital’ and ‘civil society’…

Here, participation and partnership in SIN are very much about mobilising to secure the neoliberal market. In this way, the function they serve in tandem with civil society and (for some) social capital is an important part of an attempt to construct and maintain hegemony in the classical Gramscian sense, where ‘civil society’ ‘is the ensemble of organisms commonly called private’ – separate to ‘political society’, or the state, and which becomes important to develop and maintain a historical bloc. Thus, ‘civil society’ in SIN incorporates those NGOs and actors that are perceived by the Bank as supportive of and/or necessary to the project at hand.

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480 For Gramsci, the two areas of civil society and political society, respectively, ‘correspond to the function of “hegemony” which the dominant group exercises throughout society [and] on the other
Essentially, the primary task of what the Bank attempts to do with political technologies such as participation and partnership is to nurture and manage within civil society those combinations of actors that can assist with facilitating the implementation of the market-led development agenda. This approach to participation and partnership fits perfectly with Jayasuriya’s notion of governance that sees it as seeking ‘to create New Liberal subjects and institutions whose purpose and ends are shaped by economic imperatives that are seen to be inimical to pluralist politics of interest.’

Crucially, rather than expanding the space and opportunity for participation, the Bank’s approach necessarily attempts to contain it within specific boundaries. This is because the functions that participation and partnership are accorded by the Bank are not actually tied to increasing pluralist representation and broad political participation but are actually mustered for the express requirement of building consensus around ‘market citizenship’. As the case study in chapter seven makes clear, these boundaries are often perceived by certain political actors (especially class-based actors such as labour groups and activist organisations concerned with the poor) as highly incompatible with their interests. Importantly, where the boundaries are seen by NGOs or the Bank as insurmountable, participation and partnership, in any meaningful sense, is actually impossible.

The Bank’s recognition of a role for participation goes back some way, beginning significantly in the mid-to-late1980s when the Bank altered the way that it engaged with NGOs, setting up a Bank-wide learning group on participatory development.

Hand to that of “direct domination” or command exercised through the state and “juridical” government. The functions in question are precisely organizational and connective.” Gramsci, ‘Prison Writings 1929-1935’, 306.


participation and the challenges to the bank it entailed.484 Here, participation was
defined as ‘a process through which stakeholders influence and share control over
development initiatives, decisions and resources which affect them’.485 Stakeholders in
this sense were seen as ‘those people – as individuals or institutions – who either affect
or are affected by the Bank’s policies and actions.’486 Critical here was the Bank’s
perennial concern for reform implementation. Indeed, Adams and Rietbergen-
McCracken contended that development efforts had a better chance of success if
important stakeholders felt that they had a ‘genuine stake in the outcome.’487 The key to
understanding the demand for participatory initiatives, from a Bank point of view, is
particularly revealing in the assessment of ‘costs’ that the authors apportion to not
adopting participatory measures:

These costs include: a lack of support that can impede the use of services,
reduce the sustainability of the intended benefits, and limit cost-recovery of
projects; a sense of indifference and dependency on the state by citizens who
see they have little or no say in development; and the harbouring of resentment
and wilful obstruction when projects or policies are imposed.488

The Bank’s present emphasis upon participation is an ubiquitous element in both its
public profile and work. It currently maintains its own ‘Participatory and Civic
Engagement’ webpage, associated with the Participation and Civic Engagement group,
which is a thematic grouping within the aforementioned Social Development
Department of the Bank, which has been at the forefront of much of the Bank’s basic
work upon participation.489 The Participatory and Civic Engagement web pages, which
also date the beginnings of the Bank’s work on participation back to the learning group
that was formed in late 1990, are even more clear about the need for participation and
the links between it and those organisations that are increasingly referred to as ‘civil
society’, which is seen as an ‘agent of development alongside the market and the state’:

484 James Adams and Jennifer Rietbergen-McCracken, ‘Participatory Development: Getting the Key
Players Involved’, *Finance and Development* (September 1994), 36.
486 Ibid.
487 Ibid.
488 Ibid. Emphasis added.
489 See World Bank (the Participation and Civic Engagement Group), ‘About Us: Background’, available
Civil society organisations (CSOs) are important actors in building necessary consensus for economic reforms and long term development, in promoting effective governance by fostering transparency and accountability of public institutions, and in efforts to fight inequality and exclusion. CSOs also have an increasingly critical role in the direct delivery of social and economic services, and in improving natural resource management and environmental protection through collective action.\(^{490}\)

This description of CSOs distils in a functional sense just what the Bank means when it talks about civil society. It is also evident that many of SIN’s fundamentals are highlighted and connected with these apparently highly-capable CSOs. Their roles in service delivery, providing transparency, ‘building consensus’ and ‘fighting inequality and exclusion’ are all clearly emphasised. Of course, having CSOs ‘participate’ in the Bank’s work and building ‘partnerships’ with them would seem rational from a purely pragmatic perspective on the part of the organisation. However, what is important to note is that the sections of civil society that are engaged by the Bank and the way that engagement takes place within the Bank’s work do not approximate a pluralist political project with a broad based political support demonstrating a plausible notion of legitimacy – although the veil of legitimacy present no doubt performs a function within the SIN project. What is encouraged – as chapter seven makes apparent – is the calculated participation of stakeholders within an already identified rigid policy matrix couched around the new basics and delivered via PRSPs and CASs. The concern for the Bank here is undoubtedly implementation – such a key focus of SIN. This is not just for the sake of pushing an ideologically charged policy set. Indeed, it is also to facilitate further lending opportunities which are tied to reform success.

‘Knowledge’, the language of SIN and the new conditionality

‘Holistic visions’, ‘country ownership’, ‘partnership’ and ‘development results’ – now-ubiquitous entries within the Bank’s lexicon – entwine with the all important conception of ‘knowledge’. The ‘Knowledge Bank’ and notions of ‘knowledge sharing’ both

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feature strongly in the CDF and the devices and technologies discussed above, assuming an important place in the SIN.491 Knowledge, as used by the Bank, is an important theme in an organisation trying to move beyond basic structural adjustment conditionality to an approach of ‘…defining and propagating a model of development best practice’.492 However, conditionality has not disappeared – it has been altered. We should conclude this chapter by making explicit the connection between the delivery devices and political technologies of SIN, and the new basics – which accord in no small part with the Bank’s meaning of ‘knowledge’ – and the manner in which altogether these form the new conditionality mechanism.

Within SIN, knowledge is now seen by the Bank as a replacement of sorts for the conditionality that was associated with SAPs. In a critical introduction to their book, Pincus and Winters encapsulate the way the Bank intended to integrate knowledge and conditionality succinctly:

The knowledge bank would no longer enforce policy change through conditionality but would instead would teach poor countries how to transform themselves, encourage participation in the process of change through partnerships, and encourage commitment and “ownership” through the vehicle of the CDF.493

Pender, however, emphasises that rather than replacing conditionality, the CDF and its intersection with knowledge are actually formed around yet another form of conditionality.494 Essentially, this new form of conditionality, dressed up in the CDF and involving the PRSPS and CASs, can be significantly attributed to the way the Bank connects knowledge and ownership. Crucially, ownership is achieved once the country

492 Paul Collier, quoted in John Pender, ‘From “Structural Adjustment” to ‘Comprehensive Development Framework’, Third World Quarterly, vol. 22 no. 3 (2001), 409; Pender notes that it was actually Robert McNamara who first proposed conditionality as a tool to encourage growth by connecting financial assistance to the adoption of policy sets recommended by the Bank. Pender, ‘From “Structural Adjustment” to “Comprehensive Development Framework”, 395.
494 Pender, ‘From “Structural Adjustment” to “Comprehensive Development Framework”, 409. Pender also makes it clear that while the Bank still uses a form of conditionality it is substantially different, being based on a different view of development that doesn’t just focus upon economic growth but rather the ‘…subordination of society’s resources to meeting the perceived requirements of the poorest in that society.’
EMBEDDING THE NEW BASICS

has been shown to understand and commit to the new basics. Quoting the World Bank report, *Assessing Aid*, Pender states that knowledge’s ‘… role is therefore envisaged to include “financing the overseas education of policymakers”, and nurturing a “strong domestic movement for change” in countries where the government is not committed to creating a good policy environment.’\(^{495}\) In short, the strategy, which includes the delivery devices and technologies highlighted above, is a political one of ‘constituency building’ through strategic education and the construction of institutions.

*Conclusion*

What we see in SIN is a massive, interwoven ensemble of delivery devices and political technologies that are designed with the express intent of implementing the new basics. The PRSPs and the CASs are important delivery devices for attempting to generate the sorts of outcomes that the CDF aspires to. Together SIN’s delivery mechanisms and political technologies combine with the new basics to form an embedding matrix to encourage normative lock-in. What is to be ‘owned’ and ‘partnered’ by developing countries is the ‘knowledge’ sold by the Bank (and other organisations such as the IMF). Here the perennial concern of implementation is key. In this arrangement, partnership matters because the support of certain constituencies is necessary to the liberal-market reform project.

In the following three case study chapters it will be made clear how all of this plays out on the ground. Crucially, we look in significant detail at the way in which the new basics are woven deep into various types of delivery devices and are combined with SIN’s political technologies in order to attempt reform delivery. What is interesting here is that SIN’s final form of delivery, and indeed its success or failure at circumventing reform impediments, on the ground is highly sensitive to political factors that stem from within the Bank and the individual country environments in which it operates as well as the global political economy more generally.

\(^{495}\) Ibid.
Chapter 6

Attempting Market Extension through SIN: the Privatisation of Manila’s Water Services

A significant theme that comes out of the foregoing analysis is that while SIN proponents downplay politics (both consciously and unconsciously), SIN is intensely political. Its depoliticising, technocratic language actually obfuscates a massive political project that is cast around theoretical influences with very specific political lineages. Crucially, the SIN project promotes the importance of institutions in relation to liberal markets. It also includes an awareness of the difficulties of implementing the earlier Washington consensus agenda and specifies numerous new methods and mechanisms to eliminate impediments to reform. Drawing upon the grounding of the first five chapters, the following case study-based chapters ask what SIN means for states and societies in practice. They also address the issue of what states and societies mean for SIN in practice. This is because, as we will see below, SIN is shaped and contested by a variety of factors on the ground.

This chapter asks what a particular case study (based around a part-privatisation of metropolitan Manila’s water services) tells us about the process of SIN-style market extension, its assumptions and what this might imply for state and society. The example covered in this chapter involves the delivery device of a ‘technical assistance’ (TA) contract between the Bank Group, through its International Finance Corporation (IFC), and the Philippine Government. This is an interesting example of a SIN delivery device – demonstrating the Bank’s influence beyond simple country lending-based arrangements. As we will see below, the IFC not only played the role of lead adviser on the project – it actively sought to sustain and embed the part-privatisation process through further investment and credit. In this way, it is the knowledge disseminating role played by the IFC and its active facilitation work within this scenario that is perhaps most interesting in terms of looking at an example of SIN in action. Importantly also though, the new basics – especially the reconfiguration of the state in line with promoting competition and regulating infrastructure – play an important role in this story too. In contrast to the Washington consensus, we see how the Bank, at the request of certain elite actors, assists in attempting to alter state form in a manner that puts into practice some of the regulatory institutional assumptions of NIE.
Crucially, the case study below makes the point that the state’s role in all of this is an evolving one. Here the state is being pushed away from traditional forms of service provision to become a ‘regulatory state’. Indeed, the regulatory tasks to be performed by the state correspond precisely with a NIE (and new basics) notion of the state as a supplier of regulatory and other institutions (see chapters three and four), rather than a service provider. Yet, interestingly, in addition to this regulatory push, the example below demonstrates how in practice the state under SIN patterns of transformation is also expected to shoulder financial risk for foreign and domestic capital, while remaining the active interface with and party responsible to multilateral organisations like the Bank, to facilitate market extension. In such ways it is also the ‘guarantor state’, not just a custodian for its constituents but, asymmetrically, for domestic and foreign capital also. Crucially, though, while the state is often turning to the ‘Knowledge Bank’ and its monopoly on development ‘best practice’ when attempting to address infrastructure and service issues, capital (which often pushes for pro-market reforms in the first place) has the muscle to affect and demand certain institutional arrangements that are often beyond what the Bank or state might be content with. Indeed, what is particularly evident below are the problems associated with the technocratic assumptions of NIE and the new basics and the relationship between power and institutions.

Market extension and SIN

The Washington consensus attempted to play a catalytic role in the process of market extension – with its key tenets often focused upon crude commodification, through policies such as privatisation. From a simple neoliberal perspective (typical of the Washington consensus), the market is the most efficient resource allocation mechanism. Thus, converting everything into a commodity that can be traded in the market seems logical because the ‘real’ (undistorted) cost of everything must be realised. This approach informed a dramatic project, where privatisation and liberalisation had significant roles in a commodification process, where increasingly the discipline of the market was to dominate. However, as was made evident in chapter two, the attempts at first generation reforms, like privatisation, were plagued with problems, perhaps most famously in Russia.

SIN, as heir to orthodox neoliberalism’s throne, critically alters the market extension process in influential ways. In short, it places crucial emphasis upon new methods of implementation (such as part-privatisation and public-private partnerships) and specifies a precise regulatory institutional mix for a liberal market society. For SIN, like the previous consensus, the market remains the central institution. Importantly, however, drawing upon NIE, socio-institutional neoliberals demand the presence of the right regulatory structure to correct information asymmetries and reduce other transaction costs associated with market failure. Property rights over commodities must also be specified and enforced for both capturing the efficiency benefits of private ownership and the reduction of transaction cost respectively.

Market extension as it relates to SIN is expressly understood here as the process of extending the realm of private property, and the associated institutional adjustments that this entails, to those areas where it was previously limited or entirely circumscribed, in order to reap the theorised benefits accorded to private property and its protection. The process of market extension is obviously most explicit in the privatisation of a state-owned utility, such as water or electricity services. Further to this, market extension is inextricably linked to the process of commodification. 497 Predictably, SIN-based market-led development has sought to further institutionalise commodification and market extension through altering the state’s structures, seeking a new and more deeply embedded approach to restraining government provision of services and other traditional public goods. This process has not been frictionless or passive. Importantly, it has been driven, resisted and assisted by particular interests (local, national and international) within particular constellations of power – where domestic and international capital have been dominant players.

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497 Commodification here refers to the actual conversion of an entity (a utility such as electricity or water or service to provide those utilities, for example) into a product to be privately owned and traded for profit at a price set by the market.
Market extension and water privatisation in Manila

The case of utility privatisation, increasingly common around the globe, is perhaps the most obvious form of market extension undertaken as part the Bank’s work. Here, there is some continuity with the past for the organisation. But it would be misleading to write off this as just being an example of continuity with the past. As has been made clear, SIN is concerned with attempted deep-embedding of market supporting structures which, in turn, requires a shift in the very function and form of the state. Crucially, this process is not pursued in the same way as structural adjustment of the eighties and early nineties, via basic policy sets tied to conditionality. Indeed, the current attempts at extension of the market through privatisation are a case in point. The outcomes of privatisation processes, which are now often actually part-privatisation initiatives, are explicitly seen as being dependent upon sound regulatory structures and a managed nexus between public and private actors. Furthermore, in some circumstances (such as the one below) governments actually turn to the Bank to advise them on how best to set up such arrangements.

There is more to this situation than the state becoming a regulatory state – although this is certainly a big part of the state transformation process promoted by the Bank. Critically, in practice, it also involves the state acting, at times, as a ‘guarantor state’ – facilitating foreign and domestic capital activity both by encouraging private sector involvement and then by attempting to guarantee stability, income, risk mitigation and investment in the interests of capital, and in particular transnational capital.\(^{498}\) This is interesting in terms of the combination of ideology and interests at play. It implies a consideration for consumers rather than citizens and is premised upon the assumption of the inherent efficiency of the private sector. However, together, the regulatory and guarantor requirements of SIN, in relation to market extension, demonstrate that the state is subjected to significant pressure (in various forms) to deliver a particular set of structural arrangements. These arrangements are often designed to accommodate first and foremost the interests of capital with the idea being that such an approach, plus regulation, generates the best results for a society. Crucially though, ideology and reality often part ways when interests are at play. This can prove problematic for the state (and the work of the Bank), as the case study below illustrates. This is because the transformation process associated with privatisation not only

requires the state to regulate. It also requires it to make significant concessions to capital, partly because of the interests that make up government and which have influence upon the state and partly because, tied to a particular ideology, the state has a circumscribed choice-set. Such concessions are often not popular with sectoral NGOs and indeed populations more generally. The case of water privatisation (as a form of market extension) in the Philippines is enlightening in regard to the process of attempting SIN market extension and the role of, and effect upon, the state. Critically, the case study below also challenges the technocratic assumptions that underpin much of the Bank’s advice to underdeveloped countries.

The context of reform

The push towards privatisation in the Philippines was substantively set in train by Corazon Aquino in 1986 (with the Philippine Privatization Program), and then further pursued by the subsequent presidency of Fidel Ramos, although the World Bank had earlier linked conditionality to a reduction of government corporations in the economy.499 Both Aquino and Ramos were basically forced to ‘embrace’ a different path to that of Marcos – which had led to economic failure – and thus embraced neoliberal ideology, though departed from the ideals in response to particular interests.500 Interestingly, many of the capitalists that were marginalised under the Marcos regime were to become significant promoters and beneficiaries of market reform under Aquino and Ramos.501

Several important events that occurred during Aquino’s administration were important in facilitating post-Marcos market extension. Firstly, Aquino had established the Committee on Privatization (COP) which was designed to privatise hundreds of government companies and assets. Also, during her administration an important Build-


Operate-Transfer (BOT) law was enacted. The Ramos administration continued the trend of facilitating market extension and, after ending a power crisis of devastating proportions with a policy of privatisation, it was hoped that the looming water crisis in metropolitan Manila could be resolved in a similar way. Previously, the state had run water provision in Manila under the Metropolitan Water and Sewerage Service (MWSS), a state body that was renowned for poor service and that was both a debt-laden drain on the government (with large debts to multilateral organisations) and grossly inefficient. Many of the twelve million people that were covered by the MWSS remained disconnected and loss of water through leaks and theft was substantial.

Mark Dumol, a key official in the privatisation process of the MWSS, was quite certain as to the source of Service’s problems: ‘In summary, we felt that many of the problems of the MWSS were inherent to the company, by virtue of it being owned and operated by the government.’ President Ramos himself was known to be particularly

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505 Buenaventura and Palatto, 1.
506 Dumol, 19. Dumol was Chief of Staff to Gregorio Vigilar, the former Secretary of the Department of Public Works and former Chairman of the MWSS. See Dumol, 1. Interestingly, Vigilar is now a director of First Balfour (owned by the Lopez Group – one of the winning concessionaires in the MWSS privatisation). First Balfour describe themselves as ‘one of the largest engineering and
excited about the prospects of the MWSS being privatised and, as Dumol has noted in his frank diary of the process of privatising water provision in Manila, he was critical in bringing the water crisis to the attention of people and developing a consensus that major issues existed.507

Between 1994 and 1995, domestic and foreign capital (British and Malaysian) made clear their interest in the MWSS.508 However, these approaches were turned down in preference for a bidding process for the privatisation. Indeed, the lead-up to the privatisation of the MWSS was particularly interesting in the way that foreign governments (especially the French and the British) and foreign capital (once again French and British based) were keen to display to the Philippine government the merits of water privatisation through anecdotes and trips to view privatisation projects in water.509 At an early stage in the development of the privatisation process the Commercial Counselor of French embassy even secured a US$1 million grant from the French government for (French) advisers to assist with the process.510 The mustering of those western governments that were home to the world’s largest water company interests – and that of the companies themselves – was impressive.


507 Dumol, 10-11.
508 Ibid, 9.
509 Ibid, 12-14. For example, Both the British and French embassies invited a key Philippine official to view privatised water systems and toll roads in Britain and France respectively. UK water companies and investment bankers met with Philippine government officials, and a local General Manager of a subsidiary of Lyonnaise des Eaux (later to become Suez) was keen to point out the success of the water privatisations that they had been involved with in Buenos Aires and Macao. Officials from the Philippines visited both places. Dumol, 12-14, 66.

Interestingly, both France and Britain are home to some of the world’s largest private water companies and both French and British companies ended up being partners in the respective concessions in Manila.

510 Dumol, 22. Dumol clearly realised that the French government was operating out of self interest: ‘Fremon [the French Commercial Counselor] started to work on securing a million-dollar French government grant. He worked hard and eventually got the grant. I think his argument to his authorities was simple. If the MWSS were bidden out, few firms would prequalify, and among those would be French firms. A French grant would help facilitate the bidding. It was therefore, to the interests of the French government to give the grant.’ Dumol, 22. Interestingly, while French companies have been at the forefront of water privatisation around the world, France has protected its domestic water markets from foreign participants. Suez and Vivendi (the two biggest French water companies) have close ties to the French government and as Julio Gudoy has noted appear to be important sources of income for political parties in France, especially that of President Jacques Chirac. Julio Gudoy, ‘Water and Power: the French Connection’ (February 4, 2003), available online: http://www.publicintegrity.org/water/printer-friendly.aspx?aid=47, accessed July 12, 2005. Interestingly, Chirac himself was not excited about the prospects of foreign capital buying control of Vivendi Environment in 2002 and taking over some of France’s water supply stating ‘Water supply is very much a public service, and we should pay attention that Vivendi doesn’t fall into bad hands.’ See Center for Public Integrity, ‘Defending the Internal Water Empire’, (February 3, 2003), available online: http://www.publicintegrity.org/water/printer-friendly.aspx?aid=48, accessed July 18, 2005.
The need for advice and investor confidence: enter the IFC

The Philippine government personnel responsible for the water privatisation were adamant about the need for advice for the prospective water privatisation project. According to Dumol’s account, the World Bank’s IFC\textsuperscript{511} was drawn to the water privatisation process by the invitation of a Philippine government official, who declared that they were the only financial advisor he knew.\textsuperscript{512} Subsequently, an IFC team arrived in Manila in 1995 and Dumol was positive about their prospective involvement, especially in terms of the legitimacy that he thought the organisation would generate for the privatisation process:

> Though I had previously heard about IFC, I was really not familiar with the organization. I was surprised to learn that even though it was a multilateral body, it acted according to private sector rules. Together with the IFC’s vast experience in privatization transactions, the fact of their being a multilateral organization made them the ideal entity to hire as advisers. They would provide the transparency we needed for the bidding process because they were not identified with any particular country. Also we could negotiate with them directly (since they were a multilateral group).\textsuperscript{513}

Here the IFC’s advice was obviously critical to the privatisation process. Indeed, indicative of just how central Dumol and others saw (in retrospect) the World Bank’s (and the Asian Development Bank’s) role in relation to the provision of technical assistance is the following statement:

> Water utilities need some technical assistance to help them evaluate their problems, decide on their best course of privatization, and help them procure advisers. The utilities need the draft terms of reference and a budget. Without help, the utility is unable to progress. Our experience is that the easiest way to get

\textsuperscript{511} The IFC is the wing of the World Bank Group charged with promoting private sector development in the underdeveloped world by financing private sector projects, assisting in mobilising of finance, and providing technical assistance and advice to both business and government.

\textsuperscript{512} Dumol, 27

\textsuperscript{513} Ibid, 27.
this technical assistance is through multilateral agencies such as the World Bank and the Asian Development Bank.\footnote{Ibid, 24. Also echoing this enthusiasm for the Banks work, Dumol states ‘through one of the MWSS board members, we got hold of a copy of a pamphlet written by Emmanuel Idelovitch and Klas Ringskog (both from the World Bank) about the Buenos Aires privatization. The copy we got was probably a fifth-degree photocopy, terribly faded, but we treated it like a sacred document. The pamphlet excited us even further. It gave us more details about the transaction and we became even more convinced that we could implement it in Manila.’ Dumol, 14.}

Perez-Coral, from a very different political perspective to that of Dumol, has summarised the IFC’s activities more generally (and ironically in a similar way to Dumol) when she suggests that it ‘acts as a catalyst for private investment because its participation provides “comfort”, enhances investor confidence and attracts financiers to a deal.’\footnote{Violeta Perez-Coral, World Bank, International Monetary Fund and the Asian Development Bank at Work on the Philippine Privatization Program, paper published by Freedom From Debt Coalition (August 2000) 6.} Importantly, though, as we will see below, the IFC’s interaction with the Manila water privatisation arrangement did not stop with assisting in the development of the process as lead adviser.\footnote{Dumol, 28.} Later it would go on to provide support loans to one of the companies – Manila Water Company Incorporated (MWCI) – and actually become a shareholder in the company itself. However, its initial role was to provide technical advice on the privatisation process and develop a contract for the program.\footnote{Cristina David, ‘MWSS Privatization: Implications on the Price of Water, the Poor, and the Environment’, Philippine Institute for Development Studies Discussion Paper no. 2000-14 (April 2000), available online: \url{http://www3.pids.gov.ph/ris/pdf/pidsdps0014.pdf}, accessed January 30, 2007, 1.} It also provided ‘prospective bidders with the assurances and information they needed if they wanted to bid, …collecting data that would be the basis of profit forecasts, [and] identifying the eligible bids and…the winning bidders.’\footnote{Esguerra, ‘The Corporate Muddle of Manila’s Water Concessions’, 13, Dumol, 28.} For this the IFC received a consultancy fee of US $6.2 million, which was to be recovered by the government at the awarding of the concessions.\footnote{Dumol, 29-30. While the consultancy fee would eventually be recovered at the awarding of the concessions, there was plenty of controversy (in the Philippine media) around the size of the figure.}

It is important to note here that the Bank’s involvement in the Manila water privatisation, through the IFC, is another element in a much bigger global pattern of World Bank-assisted market extension initiatives in relation to water. For example, the International Consortium of Investigative Journalists (ICIJ) produced research in 2003 that indicated that out of 276 loans that the Bank made between 1990 and 2002 classed as ‘water supply’, one third required some privatisation component before funds were
The number that required privatisation as a condition tripled between 1996 and 2002. The Bank’s market-extension approach to water is based around a thoroughly neoliberal analysis of the global water problem that sees it as resulting from a lack of pricing and the imprudent use of government subsidies. Indeed, the Bank sees market efficiency and the reconception of water, and services related to it, as commodities (that is, ‘private goods’) as integral in solving issues of an economic and environmental nature. In this project, the Bank as a ‘Knowledge Bank’ has an important role to play in promoting approaches to water that intersect with the interests of global water companies.

Although the Philippine government contracted the IFC, the arrangement designed by the parties was entirely compatible with the Bank’s preference for understanding water services in a commodified form, while also emphasising a significant role for government as a regulator. The arrangement designed saw MWSS retain ownership of assets, with the operation and maintenance of Manila’s water services divided between two privately run concessions. Revealingly in this regard, according to Dumol there was a perception that full privatisation was politically untenable. The form of privatisation chosen was a hybrid form of market extension. Not a full privatisation per se, the outcome was thought to be the largest public-private partnership (PPP) of its type, and the world’s largest water privatisation, when it was implemented in 1997. Under this arrangement MWSS would move away from its

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521 Center for Public Integrity, ‘Promoting Privatisation’, 1.
522 Finger, 285.
523 Ibid.
524 Sara Grusky, discussing the intersection between the World Bank and the global water companies, states: ‘The fourth area of influence is through the “knowledge monopoly” held by the World Bank in the field of development economics. Part of the public relations campaign of the World Bank has been to promote itself as the “knowledge Bank” and there is no doubt that the institution houses a tremendous stockpile of data, information, and theory (with neoliberal perspectives predominating) regarding developing countries. Even in a political climate of declining institutional credibility, World Bank research and publications continue to hold tremendous influence over a range of institutions including G-7 government development agencies, the United Nations, private voluntary agencies and academia. It is hardly surprising that the World Bank would play a lead role in developing supply-side theories and applying market-based solutions to the field of water resource management.’ Grusky also notes the critical role of the IFC (and the Multilateral Investment Guarantee Agency) in the relationship between the Bank and global water conglomerates. Sara Grusky, ‘The IMF, the World Bank and the Global Water Companies: A Shared Agenda’, available online: http://www.citizen.org/documents/sharedagenda.pdf, accessed January 31, 2007, 2.
525 Dumol, 14. Dumol’s concerns are amplified in his numerous references to the highly political nature of potable water and water as a ‘commodity’ that is essential to life. Dumol, 9, 56.
526 Finger, 291; Dumol, i. Finger has identified five types of PPP arrangements (which he specifies in relation to the ‘new water paradigm’). They are as follows; a concession contract (as with the privatisation of Manila’s water services, where the concessionaire is expected to improve existing
role as a utility provider to, principally, become a regulator – overseeing the operations of the winning concessionaires.\(^{527}\) In working out the details of the PPP there was some debate between the IFC and the Philippine officials as to the responsibility of the MWSS’s ongoing projects. The IFC’s position was that MWSS should retain all ongoing projects because the bidders had not been involved in the respective project conceptions. This position also minimised the risk to the bidders associated with ongoing projects. The Philippine negotiating party for the PPP was almost diametrically opposed to this position, insisting that the privatisation be as ‘total as possible’.\(^ {528}\) One particular sticking point in this regard was the Umiray-Angat Transbasin Project (UATP), where all bidders indicated that they would not accept responsibility for the project.\(^ {529}\) The project was however critical to the prospective private concessionaires meeting their water supply requirements, and breaking the supply shortfall.\(^ {530}\) However, the UATP involved a large amount of tunnelling, with its high degree of risk and all the bidders demonstrated their timidity towards risk in managing the important project.\(^ {531}\) The responsibility for the critical UATP project, with both its risk and important yields, was to remain with the MWSS. All other projects, contrary to the IFC’s position, would be handed over to the bidders.

The PPP model decided upon saw Manila drawn up into ‘east’ and ‘west’ sectors with a concessionaire to be chosen for each – the so-called ‘Paris model’. The successful bidders for the respective concessions were announced in early 1997.\(^ {532}\) The winning bids were submitted by two groups of companies – both powerful combinations of domestic and international capital. In both instances Filipino companies maintained majority shares in the concessions.\(^ {533}\) The east zone of Manila

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\(^{528}\) Dumol, 58.

\(^{529}\) Ibid.

\(^{530}\) Ibid.

\(^{531}\) Ibid.

\(^{532}\) Esguerra, 10.

\(^{533}\) Foreign ownership rules embedded in the Philippine constitution limit foreign ownership of utilities to 40 percent. Dumol, 38.

The concession for the western zone went to another formidable coupling of domestic and international capital named Maynilad. Maynilad was composed of Benpres Holdings (as a majority shareholder\footnote{Finger, 290.} and owned by the famous Filipino Lopez family) and the huge French water company Lyonnaise des Eaux (now Ondeo, a division of Suez-Environment whose parent company is Suez).\footnote{Suez-Environment’s 2003-2004 Facts and Figures Report states some revealing statistics about Ondeo’s work in water worldwide. For example, it notes that it operates subsidiaries in 25 countries and had consolidated revenues for 2003 of 5.9 billion euros. It has been called one of the two biggest water companies on the planet. See Suez-Environment, \textit{Suez-Environment Facts and Figures 2003-2004}, available online: \url{http://www.suez-env.com/upload/publication/suez_env/pocket2004gb.pdf}, accessed June 21, 2005, 9.} The respective reaches of the companies in Maynilad are vast. Suez/Ondeo is one of the two biggest water related companies globally.\footnote{The other is also a French-based multinational, Veolia (previously Vivendi).} The Lopezes, in part through Benpres, have major interests in broadcasting, telecommunications, the new economy, infrastructure and power generation and supply.\footnote{The Lopezes have been an oligarchic force in the Philippines for generations. Alfred McCoy has noted that since the early part of the last century the success of the Lopezes depended upon their ability able to manipulate the financial and regulatory powers of the state to gain licences that restricted market access and guaranteed them rents. Having made a massive fortune prior to Marcos’ rule, the Lopez
From the perspective of the MWSS, the proposed benefits with the PPP for consumers included the reduction of water tariffs (MWSS proposed savings of seven million pesos per day for customers), the expansion of piped water coverage, improved water pressure and better sewerage related services.\textsuperscript{540} In terms of the privatisation’s impact for the government, MWSS highlighted several proposed benefits. Firstly, the concessionaires would pay commencement fees of US$10 million each. Secondly, the concessionaires would cover the operating costs of the MWSS Regulatory Office’s (MWSS-RO) fees and the residual fees of the MWSS (obviating the need for the national government to budget for the MWSS). Importantly, the concessionaires would pay a fee compatible with the annual debt servicing requirements of the MWSS, while being obligated to further invest in infrastructure (that would remain the property of the government at the conclusion of the twenty-five year concessions). Finally, it was estimated that the concessionaires would pay income taxes estimated at US $3 billion dollars over the life of the contracts.\textsuperscript{541}

The sorts of assumptions that underpinned the logic of how the proposed benefits (in addition to the income the government would receive) would be realised under the concession arrangement exhibited strong NIE (and SIN) overtones. In short, the market, when adequately regulated, is perceived to be the most efficient allocation mechanism and should be given preference. Applying the logic to water supply in Metropolitan Manila is simple. The water infrastructure, while remaining the property of the state, would be tendered out to two concessionaires for them to operate – the winners being Maynilad and Manila Water. Both concessionaires, subject to the efficiency-creating discipline of the market and a drive to maximise profit by extending their respective markets, while being regulated under contract by the newly formed MWSS-RO (funded by the concessionaires), would, the theory goes, provide better and

\textsuperscript{540} MWSS, ‘The Ten Most-Asked Questions’.

\textsuperscript{541} Ibid.
cheaper services than the previous state-run organisation. Thus, it should be no surprise that a hybrid privatisation arrangement that involved the state as a regulator (later on it also became a guarantor), and the private sector was the outcome decided upon (especially given the involvement of IFC consultants and an administration in the Philippines that was keen to embrace neoliberal ideology).

Before we look at a brief assessment of how the privatisations (and the SIN assumptions) have fared, it is worth quickly summarising and clarifying the main interests involved in the privatisation process and placing them in a historic context. Firstly, as we have seen, the Ramos administration had been keen to implement the privatisation of MWSS as a ‘fix it’ to an ailing utility – having had some early success with privatisation in the electricity sector. The government clearly had an interest in improving the operation of the water provision in Manila for its constituents, with the MWSS seen as grossly inefficient and service provision limited and poor. Importantly also, as Pinches has emphasised, the Ramos administration (like the Aquino administration before it) was ‘compelled’ to take a very different path to development than that of Marcos – which had failed to generate development in the face of regional success.542 Here, both the Aquino and Ramos administrations articulated a neoliberal ideology, which saw the ‘principal role of the state [as] that of economic facilitator’.543 Further to this, neoliberal reform was supported by many of the capitalists that lost out under Marcos.544 In short, there was an alignment of interests and ideology that combined to generate the environment that produced the PPP.

In turn, this moment was grasped by foreign and domestic capital. Once the proposal was decided upon, with little resistance within the Philippine Congress,545 capital began jostling for the two (east and west) Manila concessions. The big players of the Philippine elite, along with the big corporate players of international water, were

542 Pinches, 111.
543 Ibid.
544 Ibid.
545 Esguerra, 10. This said, activist organisations, long-opposed to privatisation have tackled the increasing commodification of water supply in Metropolitan Manila for some time. NGOs, such as Freedom from Debt Coalition, Institute for Popular Democracy and Focus on the Global South (Philippines), who form part of Bantay Tubig – a coalition of NGOs working on the impacts of privatisation of Metropolitan Manila’s water – have directed plenty of attention towards both the concessionaires, the government and the multilateral banks. The role of these groups and their conflict with the other interests is covered below.

In regard to the Philippine Congress at the time, Michael Pinches noted, ‘Ramos has been highly successful at building alliances and winning support for his liberal economic reforms in congress, despite the latter’s strong support in the past for economic protectionism. …there seems to have emerged in Congress a remarkable political consensus over the quest for capitalist development through liberalisation.’ Pinches, 113.
obviously determined to secure entry into the process. Indeed, at least one commentator
suspects that ‘dive bids’ were probably used by bidders, while all the time being aware
that substantive increases in water provision rates would be required for the operations
to be financially feasible.\footnote{Esguerra, 16.} The perceived importance by investors of listed companies
gaining either of the concessions was particularly evident by the impact upon the share
prices of the respective bidders, which depended upon the market’s perception of their

The winning concessionaires, Maynilad and Manila Water, stunning fusions of
domestic and foreign capital, had obvious profit-making interests in a captured market
associated with an essential ‘commodity’, over a twenty-five year period. For a clan like
the Lopezes, whose oligarchic position (restored after the fall of Marcos) had been
significantly built upon their ability to secure opportunities (through exclusive licences
and so forth) from the state that restricted market access, such an opportunity must have
been irresistible.\footnote{McCoy, ‘Rent Seeking Families and the Philippine State: A History of the Lopez Family’, 435.} Ayala Corporation was also ‘desperate’ to attain the concession it
ended up winning – having significant real estate interests in that zone.\footnote{Dumol, 97.} Additionally,
risk was at least partially minimised for the winning bidders in that the massive UATP
project was to remain the responsibility of the MWSS, even though it would assist the
concessionaires in meeting their service targets.\footnote{Dumol, 58.}

However, this is only part of the tale. A brief assessment of how the PPP
arrangements have fared so far, and the manner in which certain interests have defended
their positions, illustrates how the technocratic institutional assumptions of SIN and
NIE are so problematic. It also demonstrates the way that the ideology that supports
SIN forms of market extension is infused into a defence of the PPP. Interestingly and
importantly, both the state and the IFC have had significant roles to play in sustaining
the PPP and thus promoting market extension.

\textit{The travails of the concessions and the roles of the state and the IFC}

Within three years of the concessions being awarded there were problems with the PPP,
with Maynilad in financial trouble and Manila Water challenging the terms of the
The contract that the concessionaires agreed to stipulated that price changes were only permissible for three reasons: inflation, unexpected events and rate re-basing (reviewed at the start of each five year period). Other than these reasons, it was expected that profits could only be increased by increasing operating efficiency (for example, by reducing the amount of wasted and stolen water and extending coverage). Contractually, the concession arrangement looked sound. As Esguerra notes, ‘There is a valid basis to say the Concession Agreement was a fair deal that allows all stakeholders – government, the companies, and the consumer – to reap benefits, and to change arrangements in an open and negotiated way in response to unforeseen circumstances.’ Additionally, a bond was in place (with the funds provided by the concessionaires) to allow the government to draw from if there were to be any problems with either Maynilad or Manila Water meeting their obligations under the agreement.

By 2000, Maynilad was claiming that it was the victim of ‘unforeseen circumstances’ and that this had placed it in the precarious financial position that it found itself in. Maynilad’s western concession had assumed the vast majority of MWSS’s debt (90 percent). When the Asian crisis dramatically devalued the peso this created large foreign exchange losses, which in turn reduced revenues and thus, its credit worthiness. Maynilad claimed that the crisis and its effects constituted a force majeure – an unforeseen circumstance that justified a change in the arrangement (including a mechanism to accelerate the passing on to consumers of the costs of unanticipated foreign exchange losses).

As Finger has noted, the terms of the concession agreement allowed for ‘ordinary currency fluctuations’ (in the order of 2-3 percent) which would be passed on to the consumer in tariff increases. However, a devaluation of the magnitude associated with the Asian crisis meant the MWSS-RO had to ‘balance Maynilad’s financial requirements with consumers’ affordability’ in considering larger tariff increases. But this was not the only problem for Maynilad and some say that the Asian crisis and the associated peso devaluation were excuses made by the company for

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551 Esguerra, 6.
552 Esguerra, 7.
553 Ibid.
554 Ibid.
555 Esguerra, 17.
557 Finger, 291.
558 Ibid.
the results of their own business practices. Esquerra is particularly critical in this regard, stating that Maynilad pursued irresponsible corporate practices, including lavish expenditure. Maynilad’s inability to achieve operating efficiencies also added to the fact that by 2001 its ‘operating expenses were a third higher than the company had projected in its bid’. 559

Despite the MWSS allowing an Extra-ordinary Price Adjustment from October 2001 to December 2002, Maynilad filed in December 2002 for an early termination to the twenty five year concession agreement. 560 It blamed the MWSS for not meeting its obligations under the concession agreement. 561 An arbitration panel held hearings and received submissions from MWSS and Maynilad and, in November 2003, found that there was no basis for an early termination of the agreement. It also instructed Maynilad to pay more than US$6.7 billion in unpaid concession fees (equivalent to 32 months of fees), plus interest. 562 Finally, while it was insufficient to cover the Maynilad’s arrears, MWSS was told by the panel that it could draw on a US $120 million bond (put up by Ondeo) if Maynilad failed to pay. 563

Despite the panel’s decision being final, in November 2003 Maynilad filed to be placed under corporate rehabilitation, which, due to the terms of the concession arrangement, would grant them the termination of the concession arrangement that they sought. By early 2004 the MWSS had still not collected the fees from Maynilad and, according to Bantay Tubig, an NGO concerned with water in Manila, there appeared to be a political will on the part of the Arroyo administration to save Maynilad and the Lopezes from financial disaster. 564 Rather than collect the money owed to MWSS for the concession fees, a debt for equity swap was promoted, amidst significant criticism, where the government would waive the concessionaire’s debts in exchange for

559 Ibid.
561 Bantay Tubig, ‘Executive Summary: The GMA-Lopez Deal re Maynilad’.
564 Bantay Tubig, ‘Executive Summary’, np.
equity. Additionally, one former senator asserted that ‘the government turned its back to protect public interest when it ordered the MWSS to back down on its threat to seize the performance bond issued by Ondeo’. The issues over the concession are still continuing. In January 2005, The Manila Times reported that the Arroyo administration would use part of the US$120 million performance bond to buy 39 percent of the concession. Ondeo (having earlier reduced its stake) would retain 19 percent of the concession and a mixture of banks and the MWSS would hold the majority of rest (36 percent) ‘through coupon-generating preferred shares.’ The state, in the form of the MWSS, would have to accept responsibility for the concession once again, because of a deal brokered in the interests of capital by the administration.

While the other concession, Manila Water, has not had anywhere near the problems of Maynilad, it has asked for amendments to the original contract and invoked increases in rates. Important to Manila Water’s story here though is the way that the IFC has assisted it substantively, extending the reach of the market, by both buying equity in it and lending to it to help it meet its targets as set out in the concession agreement. Additionally, this has occurred while Ayala (the major shareholder of Manila Water) has been keen to buy out its foreign partner and buy into water supply projects elsewhere in the world. In early 2005, in partnership with the ING Group, it also expressed an interest in the ailing Maynilad.

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566 Manila Times, ‘Enrile Scores GMA for P8-B “Sweetheart deal” with Lopezes’.


Manila Water was publicly listed in March 2004 and, crucially, this was a condition of the IFC buying equity in the company.\footnote{This was the first international public offer by a Philippine issuer since 1997. See Manila Water, \textit{Manila Water 2004 Annual Report}, 4.} In May 2004, some seven years after awarding of the concessions, the IFC entered into a subscription arrangement with Manila Water and purchased 176,400,000 shares at 4.75 pesos each (roughly US$15 million – calculated at June 2005 exchange rates).\footnote{Manila Water, \textit{Manila Water 2004 Annual Report}, 41.} In addition to the share subscription, the IFC also extended a US$60 million loan package to Manila Water.\footnote{Ibid, 4.} Succinctly put, the IFC advised the government of the Philippines on the PPP, supplied support loans to Manila Water for a variety of tasks, and bought into the company, stipulating a condition that its investment required putting up Manila Water, within 42 months, for an initial public offering (IPO). The IFC’s involvement in the Manila water privatisation thus becomes an example of market extension upon market extension.

The stock investment and loans that the IFC has made in and to (respectively) Manila Water have been significant. These have clearly been associated with supporting an example of what the organisation perceives as an important privatisation success story (which is clearly in the IFC’s interests) in part by assisting Manila Water to meet its targets. IFC project summary documents are particularly revealing in this respect:

The project will assist MWCI to attain the targets set out under its concession agreement, including provision of water and sewerage and sanitation services to the general population in its concession area. …

MWCI stands out as one of a limited number of successful privatizations in the water and sanitation sector in emerging markets The company has made good inroads into the poorer areas of its concession area. IFC’s assistance to MWCI builds upon the earlier privatization advisory work by supporting a concessionaire who has demonstrated the efficiencies and client responsiveness that a private sector provider can introduce to the provision of public services.\footnote{World Bank (International Finance Corporation), ‘Summary of Project Information’, (March 30, 2004), available online: \url{http://ifcclientworldbank.org/IFCExt/spiwebsite1.nsf/0/e887f06d8637e6b485256ee67007f0017?OpenDocument}, accessed May 5, 2005.}

Crucially, according to IFC documents for the first Manila Water Company IFC project, the project sponsors (Ayala Corporation, United Utilities, Bechtel and Mitsubishi) were also keen to have the IFC involved in order to, once again, provide potential investors
with confidence for lending and the planned IPO. This accorded with the interest on the part of the Philippine government to have the IFC on board in the PPP in the first place:

One of the reasons MWCI has approached IFC is because local banks are not offering financing of the appropriate maturity. The sponsors further believe that completing a financing with IFC would be a signal of quality that would help it in later rounds of financing, including a planned IPO. In addition to these practical points, Ayala Corporation perceives that the presence of a prestigious institution such as IFC in MWCI would be good for the Philippines by demonstrating that privatization can work despite the challenges posed by poverty in the Philippines, and that a well-run company can attract financing in an emerging market context.\footnote{World Bank (International Finance Corporation), ‘Summary of Project Information – Manila Water Company’, (2002), available online: \url{http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/b934d24fdd48b15785256bb300740406?OpenDocument}, accessed June 10, 2005.}

What is particularly evident in the above reading of the privatization of Metro Manila’s water supply is the problematic nature of market extension in underdeveloped countries, where ailing critical services need to be reformed within the logic of the hegemonic paradigm which itself meets politics. In this story coalitions of interests pursued a particular path of market extension bound by a commitment to neoliberal ideology (the government and the IFC) and explicit self interest (foreign and domestic capital, the IFC and foreign governments). Importantly, the World Bank played a decisive role both through the IFC’s advisory (technical assistance) work, loans and investment in both generating and sustaining the arrangement, demonstrating a proclivity to undertake an arrangement that is now increasingly common.

The privatization was possible initially because the Ramos administration was ideologically convinced of the merits of private sector involvement in utility provision. It also potentially stood to gain from someone taking the ailing MWSS off its hands and the income that a privatised MWSS would generate. Foreign and domestic capital had obvious profit-making interests in pursuing market-extension. The IFC gained by receiving a large consultancy fee and gaining lending and investment opportunities while at the same time playing a significant role in shaping the process and sustaining it. The IFC also had a great deal at stake, in terms of its legitimacy, in sustaining the market extension process. Furthermore, when things went bad with Maynilad, the state was to make the compromises that would impact upon the public purse. In this tale, the
state was a facilitator, a regulator and a guarantor – exhibiting at times clear conflicts of interest in an attempt to placate capital and ensure a necessary public utility.

Conclusion

The privatisation of Manila’s water services presents a revealing example of SIN forms of market extension and its newly-associated emphasis upon the role of institutions in attempting to make market-based approaches work. It demonstrates the way in which the Bank still, in a formative manner, supports the process of market extension in a way that does not need to rely upon Washington consensus-style conditionality. Here, instead, new approaches to reform delivery are used that relate to the Bank’s provision of technical assistance. By virtue of the Bank’s supposed monopoly on ‘knowledge’ and its apparent legitimacy providing capacity, governments, like that of the Philippines, have turned to the organisation for advice relating to reform. Further to this, in the case of Metropolitan Manila’s water, the Bank’s IFC followed-up on this advisory role by investing in one of the concessionaires on the condition that the company would be publicly listed.

What is also particularly evident is that the state sought advice from above (from the Bank) in an environment which leaves little room for input from constituents more generally. In the case of Manila’s water privatisation, the process was almost exclusively driven at an elite level by a combination of domestic and foreign capital, the World Bank and administrations from Ramos on. But for the state, market extension was a double-edged sword that would actually cost it, and the Filipino public, significantly. Captured by ideology early on, sections of it would be both compromised and would have to make ongoing concessions for the PPP. In this process of market extension, the state became the ultimate guarantor, shouldering financial risk for domestic and foreign capital and remaining the ultimate body held accountable in relation to utility provision. Furthermore, the case study above demonstrates that when the intersections between capital and the state are strong, and when political realities (such as the importance of providing utilities) generate the need for action, this guarantor function extends well beyond the SIN-specified conceptions of the state as a regulatory state. Here, what is evident is the manner in which ideologically and materially driven interests, that substantively drive the market extension process, comprise a formidable current that has significant repercussions for many of those states and societies that can least afford it.
Chapter 7


Following on from the theme of market extension and the increasingly common SIN delivery device of technical assistance, this chapter analyses, via another case study of another of SIN’s delivery devices (a Country Assistance Strategy – or CAS), the two core political technologies within SIN associated with embedding its policy set – participation and partnership. Both words are now found ubiquitously within Bank documents and language (described in chapter five). These political technologies, and the programs and projects to which they’re attached, have important roles within the Bank’s work and the broader legitimacy-building project associated with embedding SIN as a hegemonic paradigm.\(^{576}\)

What partnership and participation mean within SIN varies, to some degree, on context. However, crucially, this variance never deviates from a definition that is associated with an instrumental concern for reform implementation and maintenance. Encouraging NGOs, government line agencies, and other immediate ‘stakeholders’ affected by Bank work, and or vital to its implementation, to be more substantively involved in the processes of institutional change and implementing lower-level projects is of course politically pragmatic for the organisation. But creating a perception of knowing what needs to be done and controlling the way that different groups ‘engage’ with this project is also an important element for aiding Bank objectives.

To this end, as the following case study from the Philippines illustrates, there is an attempt through SIN to incorporate specific organisations and people into a particular framework (where they are congenial to its objectives), in no small part via the political technologies of participation and partnership processes. While the words ‘partnership’ and ‘participation’ evoke progressive sentiments, the lines between the Bank and groups within society are often so divergent as to be irreconcilable. Indeed, where organisations (such as particular NGOs or trade unions) are not congenial to the SIN project the limits of participation and partnership are starkly evident. Activist organisations, for example, well organised against many of the sorts of programmes that the Bank promotes and the Bank itself, often rally for policies inimical to that of the Bank, or indeed for the

\(^{576}\) A search of the Bank’s website in August 2005, returned 812 hits for participation and 866 hits for partnership respectively.
abolition of the organisation itself. These groups clearly lie outside the bounds of SIN-
style partnership and participation. The separation that exists is, of course, in significant
part ideological and in many ways represents insurmountable differences in world
views. As will become clear, the possibilities for partnership and participation between
the Bank and NGOs with a critical bent around issues such as debt cancellation and
privatisation are inherently limited.

Yet this isn’t the whole story. What becomes evident from the following case
study is that particular groups and interests are keen to participate with the Bank when
they think that they can potentially tap into the Bank’s funding sources or have their
concerns addressed by the Bank within its in-country work. These people are often the
most positive about the Bank’s attempts to involve and consult NGOs and government
at different levels. Nevertheless, the Bank’s approach to participation and partnership is
even criticised by those who are involved with the organisation’s attempts at partnership
and participation. For example, criticisms relate to the terms of reference of consultation
processes, the sincerity of the Bank’s work in consultation, the lack of consulting the
poor directly and the organisation’s assessment of particular problems.

As we will see, rather than the pursuit of partnership and participation of a broad
and more genuine manner, the Bank’s interest is in gaining the assistance of
government and NGOs that will get behind the organisation’s approach. Here, we see
the way in which partnership and participation are mobilised as the political
technologies of SIN. Of critical importance is what this implies for notions of political
representation. One of the key contentions of this chapter is that in an attempt to alter
the existing and often flawed institutional structures attached to Philippine politics, the
limited notions of participation and partnership that are associated with the Bank’s
approach actually imply another form of elitist politics (based around SIN) and the
circumscription of broad political representation.

The following is specially intended to provide a demonstration of the way in
which participation and partnership are mobilised by the Bank as political technologies
to embed SIN’s broader framework. Their utility, for both the Bank and particular
interests, is focused upon controlling and marginalising political and ideological
conflict – especially that between neoliberalism and a range of more progressive
agendas. Here, the Bank attempts to use participation and partnership as containment
methods that exhibit an anti-politics quality. The chapter is specifically interested in the
ways in which particular groups within society, networks and government are brought
in, left out, and, promote, adopt or resist the SIN agenda. In short, the chapter details why SIN proponents are so interested in participation and partnership, the manner in which both of these are incorporated in the Bank’s work, and what the limits to both these methods are, especially in terms of political representation and the containment of non-neoliberal approaches.

**Participation, Partnership and the World Bank’s Country Assistance Strategy in the Philippines**

The all-important delivery device of a CAS makes a good case study for assessing the incorporation of political technologies such as participation and partnership in the Bank’s work, especially in a country like the Philippines, known for a high level of political participation (both good and bad) and a highly vibrant and active political society. In the following analysis of the Philippines’ CAS (2006-2008), participation is looked at in two discreet ways – participation within the process of developing the CAS and participation within the CAS itself. As will be made evident, the two are analytically separable, yet stem from the same genus of concern: implementation. Indeed, the same can be said for concerns over ‘partnership’ as the following makes clear.

The Philippines’ most recent CAS was submitted to the board of the Bank in April of 2005 and covers financial years 2006 – 2008. The decision for the CAS to cover a three-year period instead of the more common four-year term was undertaken to fit into the six-year election cycle in the Philippines and six-year Medium Term Philippine Development Program (MTPDP). Subsequently, the CAS is connected to the MTPDP, as the country’s own vision for development, which in other countries could take the form of a Poverty Reduction Strategy Paper. Once a country has a development plan, like the MTPDP, it opens up the potential for a CAS to be developed. Typically, this involves the Bank beginning with an analysis of the particular government’s strategy. The Bank has to make an assessment of whether there is an alignment between the government strategy and what the Bank can, and wants, to

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577 For specific information on the CAS as a delivery device of SIN see chapter five.
578 This connection was clear in discussions on the CAS with one Bank staffer who, while talking about the CAS, also described the MTPDP as being more realistic and credible than it was previously. Meeting with two senior World Bank country staffers (Philippines), April 11, 2005.
580 Interview with two senior World Bank country staffers.
do. This is done to isolate the areas where the Bank Group can have an impact. As one senior Bank country office staffer explained, what is important is that the government has the will to fix the problems that exist.

As was noted in chapter five, the CAS (for any country) was previously considered explicitly as ‘an internal bank document’. However, according to a document previously available on the Bank’s Participation website, client governments were brought into the CAS formulation process in 1994. Other stakeholders, ‘NGOs, women’s groups, trade unions, youth groups, farmers’ associations, and the private sector’ were also included in the development of CASs in 1996. The purpose of participation in developing a CAS is explained as being important in order

…to obtain information from diverse sources and to consider a wide range of perspectives from various sectors of civil society, or stakeholders, in the formulation of the CAS. Since 1996, a great deal of effort has gone into giving ownership of the CAS to both the government and the people of the client country.

Participation in the context of developing the Philippine CAS is perhaps best analysed through the lens of consultation, a word that is often traced back to the Bank’s conducting of environmental assessments on its projects in the early ‘90s.

In developing the Philippine CAS, a consultation process was undertaken, building upon processes associated with previous CASs in 1999 and 2002. As a key part of the process (the one which gets the majority of coverage relating to consultation in the two key documents associated with it) a series of five workshops were held across the country. It was decided that the main consultation meetings would be multi-sector, involving government (including local government), a broad range of NGOs and

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581 Ibid.
582 Ibid. This, of course, implies an acceptance by government of a neoliberal analysis of and prescription for the problems.
585 Ibid.
religious organisations, and development partners – many of whom had worked on Bank projects.\textsuperscript{588} Formal and informal meetings ‘with key opinion leaders from various sectors and with government officials from oversight and implementing agencies’ were also a part of the process.\textsuperscript{589} Additionally, several feedback mechanisms were incorporated (a client survey, CAS completion report and a feedback report to participants), and feedback was received from a government group that was put together to ‘coordinate with the Bank Group on the CAS and its substance.’\textsuperscript{590} The involvement of youth, a focus that the Bank has been recently promoting at an organisational level, was also included via conferences and workshops around the country that the Bank organised in collaboration with the private sector, NGOs and the government.\textsuperscript{591} In addition to these meetings and feedback mechanisms ‘development partners’ (bilateral and multilateral agencies) were met with.\textsuperscript{592}

The Bank summed up this process thus:

Through small and large meetings, the Bank Group heard the views of its various stakeholders on the development needs of the country over the next three years and views on how the Bank Group can assist the government and other development partners in addressing these needs.\textsuperscript{593}

The five ‘multi-stakeholder consultation workshops’ mentioned above involved nearly three hundred people and are perhaps the most interesting part of this process of consultation for the purpose of analysing participation within the CAS’s development.\textsuperscript{594} Two were held in Manila, with single meetings being held in

\begin{itemize}
\item \textsuperscript{588} Interview with Social Development staffer, World Bank (Philippines), Manila, November 22, 2005. Business was given a separate consultation opportunity. This said, the staffer noted that business and other donors attended and that in one meeting there was a ‘conspicuous presence of business.’
\item \textsuperscript{589} World Bank (Philippines), ‘CAS Consultations and Client Survey Summary’, 82.
\item \textsuperscript{590} Ibid.
\item \textsuperscript{592} World Bank (Philippines), ‘CAS Consultations and Client Survey Summary’, 82.
\item \textsuperscript{593} Ibid.
\item \textsuperscript{594} To place the consultation workshops in a simple numerical context, it should be remembered that the population in the Philippines is almost 90 million. It should also on the other hand be remembered that these workshops were not the only mechanisms drawn upon in the process and that the Bank has ongoing dialogue with groups outside of the CAS process. Email correspondence, World Bank (Philippines), October, 2005.
\end{itemize}
PARTICIPATING IN THE EMBEDDING OF SIN

Tuguegarao (on Luzon), Cebu and Davao (on Mindanao) in the latter half of 2004. The majority of participants came from government (38 percent), with 28 percent being made up of representatives of ‘civil society and labor’, local government units (LGUs) made up 16 percent and members of academia 12 percent.

Looking beyond the simple percentage measures, it is interesting to see what some of the people who attended the consultation meetings had to say about the process and the Bank generally. It is also revealing to look at the reasons given by various people for choosing to attend or not to attend the CAS (and other) consultation processes that the Bank runs in the Philippines. As will be taken up in the section on ‘partnership’ and ‘participation’ within the CAS below, the Bank (through the CAS) has a very clear idea of what it wants to achieve in the Philippines and this involves requisite alterations to structures that will potentially impact, one way or another, many Filipinos. Thus, the issue of who is involved and how matters a great deal. Interestingly, in relation to representation, it should be noted that the general public was not invited. As one staffer put it:

While the process was transparent, we did not invite [just] anyone who is interested. We did post the events on the website but only to inform the public, not invite them. We also thought that to publicize the event may not help as people might feel constrained to freely discuss their ideas.

In inviting participants, the Bank consulted its ‘current list of stakeholders’, asked the advice of their sectoral operations staff, asked government, ‘civil society’ contacts and the Bank’s Knowledge for Development Centres (KDCs), ‘where many of the consultations took place.’

The government people involved in the CAS consultative processes came from national ‘oversight and implementing agencies’ and LGUs, with ‘many mayors and governors’ attending meetings. Additionally, the workshops were done ‘in partnership with the Government’s central planning agency, the National Economic Development Authority’, with the Bank stating that the CAS consultations presented an

595 World Bank (Philippines), ‘CAS Consultations and Client Survey Summary’, 82.
596 Email correspondence, World Bank (Philippines), October 2005. All of the meetings, except one in Manila, were ‘organized in partnership with the Bank’s Knowledge for Development Centers: St. Paul University, University of Southeastern Philippines, University of San Carlos, Silliman University, and the Asian Institute of Management.’
597 Ibid.
598 Ibid.
599 Ibid.
opportune time for the government to circulate the draft of its medium-term plan – which was being finalised at the time of the CAS consultation process. From ‘civil society’ a broad list of groups were invited, including NGOs with a critical voice.

The meetings were described by the Bank as lively. From the point of view of one Bank staffer they also helped to dispel issues with and criticisms of the Bank and erase the perception of the Bank as ‘shrouded in mystery’. This hints at why, as communication and constituency building exercises, consultative and participatory processes are perceived as value-adding for the Bank. Getting people ‘on-board’, giving people a sense that they are inputting into the process dissolves the perception that the Bank is a monolith, unresponsive to domestic concerns and meddling in domestic politics.

Speaking to people outside the Bank that participated within the CAS consultations, a range of views is evident, with some distinct themes becoming apparent. For example, groups that saw a potential opportunity for working with the Bank or who work with the Bank already were generally more positive about the Bank’s attempt at consultation and the Bank itself. However, in several cases these groups actually had ideological sympathies or concerns about political representation that lay outside or that were contradictory to what the Bank is working towards – that is the embedding of SIN. Others still, were keenly aware of the limitations to the consultation process and frustrated by them. Finally, some groups that participate in Bank activity (including consultations) point out that many of their organisational peers are hostile or unhappy with this, indicating the seemingly irreconcilable political divisions within society.

Attorney Zoilo V. Dela Cruz, the National President of the National Congress of Unions in the Sugar Industry of the Philippines (part of the Trade Union Congress of the Philippines, or TUCP), stated that he thought the CAS consultation processes went very well and that the TUCP was interested in the work that the Bank does, especially in regards to infrastructure. He also stated that he thought the CAS itself was ‘very good’, although he had some concerns about its ability to be implemented. He thought

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601 A list of people associated with the Cebu CAS consultations was provided to me that confirms that a wide array of groups and individuals were invited to the meeting, including groups critical of the Bank.

602 Interview with two Senior Bank Country Staffers.

603 Interview with Attorney Zoilo V. Dela Cruz, National President of the National Congress of Unions in the Sugar Industry of the Philippines, Manila, November 23, 2005.
that the work of the World Bank was important but it must involve the private sector, which for him included TUCP, to help monitor and help implement reforms to tackle corruption and increase wages. Dela Cruz saw more money from the World Bank as being required, saying that the conditions the Bank sets are fine: ‘if you don’t like the conditions you don’t borrow’. Yet many of his personal beliefs and concerns pertaining to organised labour were actually antithetical to the Bank’s work, unsurprisingly receiving no attention in the CAS. For example, he felt that when markets were opened, tariffs and quotas were important tools to be used on some goods. This seemed particularly important to him in relation to the ascendancy of China and a workforce that was willing to work for less. Perhaps most interesting were Dela Cruz’s positions on wage increases and industrialisation and the role that he thought the international financial institutions could play. One of his contentions was that the World Bank (and the IMF) should help factories update and create wage increases to stimulate domestic demand. A major focus for the union official was to increase membership and representation of the workforce in the Philippines, which he offered faced massive dilemmas of representation that plagued its chances at achieving gains in income. For him, boosting wages to improve collective purchasing power made sense, not just for labour but for capital also, although he remained wary of the profit motive: ‘Unless we organise workers we can’t increase the collective purchasing power to increase the business income. But business always wants more profit.’ Many of the ideas Dela Cruz mentions in relation to the World Bank are obviously problematic for any shade of neoliberalism and reside more comfortably alongside variants of Keynesianism and social democracy. The CAS makes no mention of the importance of organising labour or working with unions (other than involving them in the consultation meetings), nor does it entertain quotas and tariffs. It certainly does not talk about raising wages or lending to reinvigorate factories.

Interestingly, Dela Cruz also mentioned that some of the more leftist unions were unhappy with TUCP’s participation in Bank activity. He mentioned that the more radical KMU, or Kilusang Mayo Uno (May First Movement), while having a large membership, would not participate in the CAS consultations. Indeed, the theme of

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604 The first elements here are of course compatible the Bank’s work. The same cannot be easily said for increasing wages.
605 Interview with Attorney Zoilo V. Dela Cruz.
606 Ibid.
607 Ibid.
608 Ibid.
groups being critical of peer groups for working with the Bank appeared several times in interviews, with people from non-participating NGOs who were either frustrated with the Bank’s attempts at consultation (not just with the CAS) or saw it as completely disingenuous. Clearly, the decision of whether or not to participate in Bank activity for some groups is a decision where pragmatism and ideology play a role. This may go some way towards explaining the fairly low absolute numbers of ‘civil society’ participants in the consultation process (as mentioned above, this grouping – including labour – made up only 28 percent of the total) for a country that has an incredibly vibrant NGO culture and established labour groups.

The disconnect that exists between some NGOs – many that are knowledgeable on development issues – and the Bank is at times massive. It is also mutually felt, by both the Bank and the NGOs themselves, with neither side often seeing any potential reconciliation of ideas or positions. Indeed, one senior Bank staffer located in the Philippines country office could not have made the relationship and function of NGOs and this disconnection any more explicit. For this person, there existed three types of NGOs. First, there were those that were ‘implementing partners’. Second, there were organisations that were solution finders and providers. Finally, there’s a group that effectively operate as an opposition to the Bank’s operations. It was made clear that while this final group needed to be listened to, it should only be listened to so far.

This compartmentalisation of civil society is, of course, not mentioned in the CAS or the consultation documents. However, the following quote from the ‘Feedback Report to Participants of Multi-Stakeholder Meetings’ (associated with the CAS) perceives part of the problem of involving ‘civil society’ organisations as an issue on the part of NGOs

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609 For example, Isagani R. Serrano, Senior Vice-President of the Philippine Rural Reconstruction Movement (PRRM), which has been involved with the World Bank’s ‘Innovation Marketplace’, said ‘Some friends in NGOs see this as a problem. However, we’re not receiving any money’. PRRM see such involvement as an opportunity to get the people they work to help some benefits and says that engaging with the World bank in the way that PRRM does is not ‘risky’. Interview with Isagani R. Serrano and Conrado Navarro, Philippine Rural Reconstruction Movement, Manila, November 25, 2005.

610 For a quick indicator of groups interested in development in the Philippines it is worth noting the NGOs associated with the ‘Social Watch Initiative’. Their website lists well over one hundred participating organisations in the Philippines alone and is by far the longest list of participants from any of the countries listed on Social Watch’s website. See Social Watch, ‘Participating Organisations’, available online: [http://www.socialwatch.org/en/acercaDe/organizacionesParticipantes.htm](http://www.socialwatch.org/en/acercaDe/organizacionesParticipantes.htm), accessed February 7, 2007. For a more detailed analysis of civil society in the Philippines in the specific context of globalisation see Perlita Frago, Sharon Quinsat and Verna Dinah Viajar *Philippine Civil Society and the Globalization Discourse*, (Quezon City: Third World Studies Center and United Nations Development Programme, 2004) – chapter three is particularly relevant (especially pages 54-75).

611 Interview with two senior Bank country Staffers.
that relates to both comprehension and ‘knowing their role’ as it apparently relates to implementation, advocacy and monitoring:

In line with participatory governance, the consultations affirmed the importance of greater involvement of civil society organizations not only in monitoring public sector performance but also in planning and implementation of projects and programs. Increasing involvement by civil society organisations, however, would entail not only their participation in meetings and conferences but also increasing their capacity to understand, analyze, advocate and monitor policies as well as programs and projects.  

Such a statement further demonstrates the functional limits of participation within SIN. Yet beyond these limits, the boundaries in relation to the Bank’s efforts at participation are in distinct ways political ones, drawn by those in opposition to one another. This chasm was reiterated by personnel from several development-focused activist organisations, confirming the barrier to even a limited form of participation or engagement – such as that which exists between opposing political parties in parliamentary democracies, for example. It is somewhat ironic then that the Bank has emphasised the importance of ‘buy-in from all participants’ (in relation to participation and the CAS document generally) as being important to prevent groups from ignoring ‘the process of development’:

Without buy-in, the process of development becomes a top-down process which organizations at the local level might resent, or worse ignore. It is a central component of sustainability, which is built upon fundamental understanding and cooperation among partners and stakeholders in the process.  

While the people spoken to within critical development-focused NGOs certainly were not ignoring the ‘process of development’, many conveyed, to varying degrees, antipathy and anger to the process of development pursued by the Bank and were often quite removed from the Bank’s participatory consultations (such as those associated with the CAS) and its work more generally. This was often a conscious decision. One

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person from a well known regional organisation, Focus on the Global South, noted that, for various reasons, while their organisation was invited to the CAS consultations (in which they did not participate) they had been disappointed by previous attempts by the Bank at consultation.\(^{614}\) Firstly, in their experience with the Bank’s participatory processes, people tended to be invited to participate in events with limited notice – often only a few days – although for the CAS process the Bank office in Manila stated that it allowed two to three weeks.\(^{615}\) Additionally, it was noted by the same person from Focus that while the Bank wanted to convey the appearance of involving a broad range of organisations, from civil society, academia and government, ‘in practice, this doesn’t happen’.\(^{616}\) While not entirely ruling out participating in Bank consultation processes, there was no illusion as to the level of engagement from this person’s perspective. Indeed, they expressed that the only reason that their organisation would be involved was to ‘check out the process’ (to see who was invited to be part of it) and to put forward their own organisation’s critique and agenda in relation to the ‘…process and content of the CAS.’\(^{617}\)

One theme that emerged specifically in relation to the CAS consultation meetings was a criticism that there was insufficient time for questions and the processing of information, not to mention a greater representation of the local public. Pamela E. Sullano, who is a regional coordinator for the Community-based Resource Management Project (funded by the World Bank), noted that while LGUs from around the region were able to share their stories, target beneficiaries such as fisherman and farmers should have been involved in the consultation process (perhaps even in another meeting) because local perspectives are not always congruent with those LGUs or government people.\(^{618}\) Dr. Victoria H. Zosa, Director of the Office of Research at the University of San Carlos and a facilitator in the Visayas consultation process was even more explicit in regard to this point. For Zosa there were important issues that were not discussed at the CAS meeting and people who were not present that should have been:

\(^{614}\) A mirror of this story was also told to me by another Focus on the Global South member in Thailand (at Focus’ Bangkok offices) in relation to some of the consultation processes and meetings organised in that country by the World Bank that she and her colleagues had been invited to. Interview with Chanida Bamford, Senior Associate, Focus on the Global South, Bangkok April 4, 2005.

\(^{615}\) Email from member of Focus on the Global South, Friday, September 9, 2005; Email correspondence, World Bank (Philippines), October 2005.

\(^{616}\) Email from member of Focus on the Global South, Friday, September 9, 2005.

\(^{617}\) Ibid.

\(^{618}\) Interview with Pamela Sullano, Regional Coordinator, Community-based Resource Management Project, Cebu, November 30, 2005.
You need a follow-up. We wanted to know why the World Bank thought there was no investment, their answers were insufficient. It’s not just corruption. Liberalisation policies are hurting the economy. This was not mentioned at the CAS meeting. The type of people at the meeting were mayors and local people but the poor can’t speak out in the CAS-type forum.  

Zosa is also implicitly critical of the NGOs who attended the consultation meetings, and makes an interesting point in regard to the sorts of NGOs that generally attend such meetings and potentially why:

NGOs have a framework that is conducive to the Bank rather than the poor – the Bank is a source of funding for NGOs. The World Bank, in the post-Marcos era, relies on NGOs instead of academe but NGOs aren’t trained. NGOs were vocal at the CAS meeting and they present a position that they know what’s going on. But they have an interest. NGOs don’t want to break down the problem. There is a problem with funding agencies relying on NGOs.

When asked whether she had read the final CAS Zosa illustrated a frustration with the consultation process that several people from more critical NGOs had conveyed in relation to Bank processes more generally. She stated: ‘I have no reason to read it – it’s over, like all the consultations in the Philippines. It’s always a consultation, it’s not genuine, it’s a done deal. It’s top down.’ A similar point was also made to me by Father Margarito Alingasa, a former President of the University of San Carlos and the Executive Director of Cebu Uniting for Sustainable Water Foundation, who attended the CAS consultation meeting in Cebu. While Alingasa says that the Bank tried to listen and ‘feel the pulse’, ‘It was a very cursory consultation. The perspectives were already there on the part of the World Bank.’

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619 Interview with Dr. Victoria Zosa, Director of the Office of Research, University of San Carlos, Cebu, December 1, 2005. Zosa also stated that there was no time for questions and that ideas ‘need time to gel’. The point about the lack of time for questions at the Visayas consultation meeting was also made to me by Barangay Captain Adonis Bacalso. Meeting with Barangay Captain Adonis Bacalso, Cebu, November 30, 2005.

620 Ibid.

621 Ibid. Zosa also mentioned that there should be a follow-up to discuss the final CAS.

622 Interview with Father Margarito Alingasa, Executive Director of Cebu Uniting for Sustainable Water Foundation, December 2, 2005. Father Alingasa also had concerns that the CAS consultation process didn’t see ‘the reality on the ground. People working in air-conditioned offices don’t have contact with the poor.’ Interestingly, Alingasa also noted that his NGO would not get money from the World Bank as it could be restricting.
There is of course a distinct interest on the part of some NGOs and local government people attending meetings such as the CAS consultation meeting. The League of Corporate Foundations (LCF), an NGO whose motto is ‘business solutions to social problems’ and which is interested in corporate social responsibility has no current formal relationship with the Bank but is presently interested in working with them.623 Indeed, people from LCF were keen to point out that the World Bank saw a match between the CAS and LCF’s strategies.624 The eagerness demonstrated on the part of some NGOs to work with the Bank was also clearly present at the meeting in Cebu, where Ferdinand S. Boncayao, Chairman of the Political Science Department at the University of San Carlos, noted that there was enthusiasm on the part of participants in the CAS consultation meetings, who were interested in how they could avail the services of the World Bank.625 Indeed, the Bank was clearly keen to link up with organisations that it saw as having a fit with its agenda. At the meeting for the Visayas in Cebu, the World Bank’s Country Director for the Philippines, Joachim von Amsberg, promoted the opportunity for organisations to tap help from the Bank and talked about assisting LGUs.626

Nevertheless, some NGOs choose not to attend World Bank consultation meetings associated with the CAS (and other processes), and it is important to understand why. This reveals important information about the Bank’s approach to participation and partnership and the way in which the approach frustrates some groups to the point of not participating in future events. Various interviewees mentioned that when they conveyed dissenting views at consultation meetings run by both the World Bank and the Asian Development Bank (ADB) their views were not reflected in the final published proceedings.627 In fact, this was closely related to another problem – the inclusion of the names of participants in final documents detailing consultation processes, despite the omission of their, often, highly critical views. Numerous people that were interviewed conveyed a range of emotions ranging from resignation and frustration to outright anger at the use of their names in this manner, without being placed in context, in an exercise that they saw as an attempt by the Bank to demonstrate

623 Interview with members of the League of Corporate Foundations, Manila, November 24, 2005.
624 Interview with members of the League of Corporate Foundations.
625 Interview with Ferdinand Boncayao, Chairman of the Department of Political Science, University of San Carlos, Cebu, November 30, 2005.
626 Interview with Barangay Captain Adonis Bacalso, Cebu, November 30, 2005.
627 This particular criticism was also noted of the ADB by one particular interviewee. Interview with members of Focus on the Global South, Manila, April, 2005.
legitimacy and endorsement for their proposals. A further criticism aired by an individual from the development NGO community, stated that the Bank engaged with NGOs for reasons of implementation and monitoring. For this person, the Bank would ‘dangle money at NGOs’, however, they really did not want to engage and were not interested in NGOs having an input into policy formation in particular. On policy in general, this person found the Bank to be very defensive of its position. On the CAS specifically, this respondent stipulated that while the Bank involved participatory elements it already had ‘the matrix’, detailing precisely what it would comprise.

Indeed, a comparison of a series of discussion briefs that were distributed around the time of the CAS consultations as ‘informal contributions to development policy debate’ with the CAS’s final form, demonstrates the continuity between what the Bank was wanting to focus on (in the briefs) and the way in which it should be focused upon (in the CAS). Crucially, despite the consultation processes there is no substantive thematic difference between the briefs and the CAS. Further to this, given the timing of the briefs, the discussion briefs represent real agenda-setting documents for the CAS process – signalling the Bank’s intentions (although they are stated not to necessarily represent the institutional views of the organisation).

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628 There are no dissenting views highlighted in the consultation documents for the CAS. In fact, rarely do you see such views in Bank documents.

629 Interview at Institute for Popular Democracy in Quezon City, Manila on Friday, April 15, 2005. This person also explained that the fickle nature of the finances of some NGOs means that sometimes they need such resources, although there were organisations that refused Bank funding. This raises an important point about why some NGOs might partner with the Bank at certain times.

630 Ibid.


633 von Amsberg, ‘Letter to Development Partners’. This said, the discussion briefs are highly compatible, in a thematic sense, with the Bank’s institutional outlook.
Talking to the Washington-based Program Coordinator responsible for drafting the CAS about the production of the document provides further explanation as to why the potential for outside entities to influence the document is limited. Indeed, understanding the manner in which a CAS is produced may go some way towards explaining why they often end up looking so similar. A CAS is produced in a step-by-step process, where there are guidelines to work off and numerous committees (within the Bank) of review.\(^{634}\) Once consultation meetings (like those covered above) have taken place, the document is then drafted. Crucially, this process includes looking at other CASs. It is then submitted for internal processes of review that take place with the intent of representing all sectors within the organisation. Interestingly, in describing this process, the Program Coordinator also points out that where their office is in the Bank’s Washington headquarters there are actually six people sitting in one corridor that all talk to each other about one another’s CASs, in an environment where ‘there’s lots of knowledge sharing.’\(^{635}\) There is a formal standardisation step in the overall process, with the Operations Policy and Country Services section of the Bank responsible for ‘standardising the CAS.’\(^{636}\) A process of discussion and consultation takes place with and to the Bank’s board, though this does not relate to an issue of approval.\(^{637}\) Comments come in from the board (there were 14 comments for the Philippines CAS) and it is the Program Coordinator’s job to reflect the way in which these concerns are or will be addressed back to them.\(^{638}\) In the case of the Philippines the Bank’s board was essentially concerned with economic risk. Indeed, the lack of progress on the fiscal side and the fact that in the last CAS the Bank never reached its high lending case, which required certain levels of reform to be evident prior to further extending lending, were the key concerns.\(^{639}\) This said, the Bank’s Executive Directors viewed the CAS as the best they had seen in months and the CAS was recognised as an example of Bank ‘best practice’, with positive feedback gained from other country offices.\(^{640}\)

This internal perspective on the CAS’s development gives us an inkling of the bureaucratic production of the document, post-consultation, and the organisational elements that it must pass through, all of which must have a homogenising influence,

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\(^{634}\) Interview with Washington-based World Bank officer, Manila, November 2005.

\(^{635}\) Ibid.

\(^{636}\) Ibid. This person also noted that, in the case of the Philippines CAS, the draft of the document was also shared with the Philippine Government with the result of no major changes being made.

\(^{637}\) Ibid. Interestingly, the staffer notes that they have never heard of items (including CASs) being rejected by the Bank’s board.

\(^{638}\) Ibid.

\(^{639}\) This is reflected in the current CAS as the next section of this chapter states.

\(^{640}\) Interview with World Bank staffer (Washington-based), November 21, 2005, Manila.
which limits the capacity for outside influence. Indeed, despite the highly-limited potential for the input of consultation participants and critical voices in the CAS’s production, perhaps the most important constituencies that affect the document’s end form are those within the Bank. For example, as one Bank staffer noted to me, every executive director has their pet concerns. The inference here was that these had to be managed. Such interests coupled with more mundane, yet paradigmatically important, bureaucratic interests reveal the potential pressures that may well be faced in forging a document like a CAS. Indeed, satisfying such interests is more obviously in the immediate interest of those producing the CAS than any other external concern.

**Participation and partnership within the content of the CAS**

Having looked at the boundaries of participation and partnership in the production of the CAS, the focus now turns to charting the manner in which participation and partnership are woven deep into the form of the CAS itself. This follows the SIN concern for implementation and monitoring perfectly – although at another level. As we will see, when one analyses the annex in the CAS which contains the completion report of the previous CAS (FY 2003-05), it is clear that frustrations with the pace of reforms and the direction of the government throughout the CAS (2003-05) period have generated areas of key concern to the Bank country office. 641 In dealing with this, ‘participation’ and ‘partnership’ are substantively mustered into action as political technologies within the new CAS.

Unsurprisingly, given the limitations on the participatory process associated with developing the CAS, the terms, assumptions and the foci within it adhere, without exception, to a classic SIN ensemble. When the core program outlined in the CAS is linked on a performance basis to the portfolio – determining the amounts of money the Bank will lend – there is little for participants to do in relation to the Bank’s activities other than assist the Group in achieving its objectives. All that remains to be partnered and to participate in is, of course, the country program that the Bank has developed and articulated in the form of the CAS. The following elucidates the manner in which notions of partnership and participation are incorporated in the CAS to deliver a typical SIN policy set. 642 Importantly, it will be made clear that there exist real tensions

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641 This was clearly a concern of the Bank’s Board also, as was noted in the previous section.

642 By a ‘typical SIN policy set’, I am not saying that the mix of policies pushed in different settings are always the same. Indeed, there are often important differences between World Bank country offices in terms of the particular mix of reforms promoted and the manner in which they are delivered. However,
between the Bank calling for a ‘strong state’, to rally around and deliver its preferred institutional forms, and an expanded notion of participation and partnership that could be associated with forms of civic engagement where actors have the potential to influence politics and institutional form. Such a situation heavily circumscribes the nature and function of participation and partnership in a way that expressly serves the Bank Group’s self interest.

The lack of divergence from the SIN mould perhaps best illustrates the output of limited forms of participation in the development of a document like a CAS. In the current CAS, there is a thematic focus upon issues of governance and the influence that levels of governance are seen to have upon the investment environment, which is, in turn, automatically linked to the generation of ‘the common good’. Consequenlty, issues of corruption, and institutional issues more generally, receive plenty of attention as the source of the Philippines’ development problems, pointing to what the Bank sees as ‘a frail social contract between the government and its citizens.’

Somewhat ironically, however, the purpose of the CAS is about securing the elite grounds upon which change in the Bank’s immediate interest can be secured – although the language of capture by special interests is not of course used here. Indeed, the CAS seems to harbour grave reservations for democratic processes and democratic reforms as a way of rectifying this ‘fragile social contract’. For example, the document states that despite democratic processes, ‘governance indicators’ show that ‘rule of law, political stability and control of corruption are lower in the Philippines than in than in other East Asian comparator economies.’ ‘The answer’ to such a situation (contained within the CAS) is to encourage and support ‘islands of good governance’, and, crucially, to promote the concession of authority by the public:

If citizens begin to see that public institutions are improving their governance and delivery of services, they are more likely to vest authority and provide

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although SIN is a broad paradigm and particular political factors within the Bank and outside it impact what form SIN takes place in different settings, there are indisputably many paradigmatically-common themes evident across the Bank’s work. See chapter four on the new basics.

644 Ibid.
645 Paul Hutchcroft, one of the most eminent scholars on contemporary politics in the Philippines and a reference source for the Bank, has actually offered an alternative solution to deal with the Philippines’ woes. In a public lecture given in Perth, Western Australia in August 2005, he was more than clear in stipulating his desire for strengthening political parties (as representative institutions) as a vital way for the Philippines to move forward. Paul Hutchcroft, ‘Strong Demands and Weak Institutions: Addressing the Democratic Deficit in the Philippines’, lecture given as part of the Asia Research Centre’s 2005 public seminar series, Conflict, Security and Political Regimes in Asia (August 19, 2005).
resources to the state. A stronger state will be able to increase social inclusion and cohesiveness.\textsuperscript{647}

Given this assessment, it is unsurprising that other states within the region are called upon as examples of the merits of such governance provided by ‘strong states’: ‘As the experience of many of its East Asian neighbours illustrate, a stronger state is a precondition for robust private-sector-driven growth and greater social inclusion.’\textsuperscript{648}

Yet a strong state is only desirable from this perspective when it favours a suitable set of interests. While it is set up as a rational-ideal type (as it often is in Weberian conceptions), it is just another specification of institutions and institutional function compatible with specific interests, in a hegemonic sense, with a preference for liberal capitalism. The endorsement of a particular notion of a strong state by the Bank is evident in the inclusion of the following quote from the CAS by one of President Gloria Macapagal-Arroyo’s advisors, Rigoberto Tiglao:

\begin{quote}
There are two essential attributes of a strong state. First, it is autonomous of dominant classes and sectors, so that it represents people’s interest, both minority and powerful groups. Second, it has the capacity, represented mainly through a strong bureaucracy, to implement its policies.\textsuperscript{649}
\end{quote}

The representation of people’s interests, especially in a situation of chronic inequity and corruption, is of course vital. However, this conception of a strong state has a distinct political purpose, which is obfuscated by conflating it with the representation of the ‘people’s interest’. Crucially, ‘representing the people’s interest’ and a ‘strong state’ in the SIN mould, do not necessarily sit together easily and a potentially inverse relationship can be made between the two. Ironically, the use of ‘participation’ within the CAS in such a functional and political manner, concerned with delivering and sustaining its preferred ‘matrix’, is one such example of an inverse correlation between a strong bureaucratic drive and broad based pluralist representation. ‘Strong’ here means that the state is as ideal as possible for guaranteeing SIN implementation and regulation prerogatives. Crucially, participation in no way means ‘representing the people’s interest’ in a pluralist, or non-neoliberal sense.

\textsuperscript{647} Ibid, ii.
\textsuperscript{648} Ibid.
\textsuperscript{649} Ibid, 12.
The bulk of the CAS’s thematic foci are situated around generating a SIN, drawing heavily upon the new basics, response to the problems in the Philippines as the Bank sees them:

The economic and social aspects of the reform agenda supported by this CAS are inseparable. The Philippines poverty reduction strategy, in fact, is integrally embodied in the development strategy of this CAS with its two objectives (economic growth and social inclusion) and two levers (fiscal stability and improved governance). Higher and sustained growth would need to be the major driver of poverty reduction through jobs and income creation (despite the lesser effect of growth on poverty reduction under high income inequality). With more social inclusion the poor would be empowered and enabled to participate in the opportunities afforded by economic growth, supported by public spending targeted to the poor as well as institutional reforms for market access and participation in decision processes. Fiscal reforms, in turn, are essential for growth, for the prevention of crises that inevitably would hurt the poor severely, and for building-up effective social spending that reaches the poor. Finally, governance improvements would focus on institutional changes that let the state deliver its core services to all citizens, especially the poor who are often excluded.650

The two ‘objectives’ of the CAS, economic growth and social inclusion, in addition to the two ‘levers’, fiscal stability and improved governance, are essential goals and means of achieving those goals respectively, of a classic SIN blueprint. Even here, in a limited way the concepts of inclusion and participation are reined into the mix – specifically, in relation to social inclusion. But participation is drawn into the CAS in a more functionally substantive manner when it comes to issues of reform implementation. Demonstrative of this is an entire section in the CAS that is dedicated to looking at the Bank Group’s ‘Philippines partnership’ – a phrase that has been used by the Bank Group elsewhere to define, in a collegial-sounding sense, the relationship between a particular member country and the organisation.651

It was pointed out earlier that the CAS, despite consultations and public access to its final form, is very much the product of an internal dialogue within the Bank. To this end, certain paragraphs in particular look targeted at convincing board members in Washington of the possibility for maintaining and indeed expanding a successful Bank programme in the Philippines. Nevertheless, the manner in which implementation, partnership and participation are correlated, conveniently attempting to obscure a political project and curtail the range of participation through the centrality of the CAS’s matrix is palpable. This reveals, once again, the defence and promotion of the Bank’s interest in securing its reform agenda and extending increased lending, which is tied within the CAS to performance benchmarks in areas of reform.

It is not too difficult to understand where the Bank’s country office’s concern for implementation comes from. The completion report for the previous CAS (FY 2003-05), included in the first annex of the latest CAS, reveals much of the frustration that the Bank has experienced in this respect, and the key lessons that it distils focus plenty of attention upon the agencies and other elements critical for reversing the implementation problems. The completion report’s purpose is an evaluative one that seeks to draw ‘key lessons for preparation of [the] new assistance strategy’. The annex is fairly comprehensive and frank. The report looks at several areas in making its evaluation, and its production included interviewing Bank staff and managers from Washington and Manila, reviewing the Philippine portfolio performance, assessing the Bank’s performance in meeting the previous CAS’s objectives and developing ‘lessons for future Bank assistance.’ The overall picture that is drawn by the completion report is mixed. However, areas of major concern that are focused upon, especially macro-economic objectives, are revealing, especially when reasons for poor reform progress are addressed. Take for example the following excerpt from the report:

However, the Bank was not able to meet it [sic] macro-economic objectives. The public sector deficit and high levels of public debt will continue to limit the government’s ability to provide infrastructure, facilities and services. The Philippines is seen as lagging behind Indonesia, Thailand, and other Asian countries in key economic areas, such as provision of infrastructure and the ability to attract private investment. Many key constraints were political and outside the Bank’s immediate sphere of influence. While progress is being

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made, strengthening the government’s ability to deliver services (especially at the local government level) remains a key challenge.\textsuperscript{654}

The effect that such a situation has on constraining the Bank’s ability to lend is made clear in the section following the above assessment that provides an assessment of the lending performance of the Bank. Lending is characterised as being ‘lower than planned’ for the period 2000-04 (FY).\textsuperscript{655} The report elucidates a fundamental cause of the lower-than-planned lending:

Lack of adjustment lending was a key factor: the FY03-05 CAS included US $750 million in three adjustment loans in the base case scenario. The Bank did not go ahead with adjustment lending because the government did not meet the fiscal triggers (fiscal deficit reduction and revenue enhancement). The FY03-05 CAS had anticipated political opposition to reforms as a country risk.\textsuperscript{656}

The completion report sums up by characterising the Bank’s performance in the Philippines as ‘satisfactory’. However, its key recommendations illustrate the obvious link between a thematic concern for participation and partnership and the pursuit of the Bank’s interests.\textsuperscript{657} Take the following three excerpts (of four in total) from the section in the completion report on ‘key lessons’ to guide what the Bank should do:

- Build on its strong relationship with the client and continue to strengthen ownership of the program. The Bank will need to: (i) collaborate closely with its clients in operations and fully incorporate their needs and priorities; and (ii) ensure that clients continue to see the Bank’s inputs as relative, responsive, and innovative.

- Continue its outreach to political leaders, opinion leaders (i.e., the media), and civil society to build awareness of and promote consensus on the challenges facing the Philippines and the Bank’s position on these issues. … Many of the solutions are political, requiring action by the legislature. The bank will need to

\textsuperscript{654} Ibid, 61.
\textsuperscript{655} Ibid, 62. Further to this, the Bank’s ‘discouragement’, resulting from the slow reform process is restated in the body of the CAS as the reason for scaling back its programme over the years. See World Bank (Philippines), \textit{Country Assistance Strategy for the Philippines, 2006-2008}, 30.
\textsuperscript{656} World Bank (Philippines) ‘Philippines Country Assistance Strategy FY 03-05 Completion Report’, 62.
\textsuperscript{657} Ibid, 65-66.
continue its ‘honest broker role,’ but should be realistic about what can be accomplished in the near term.

- Further coherence among Bank projects involving local governments. In the past, local governments were often seen as critical implementers of various sectoral strategies, rather than units of government in themselves. Going forward, local government programs should: (i) strengthen local ownership by addressing their priorities; and (ii) take a systematic approach to key cross-cutting areas such as capacity building and revenue enhancement.\(^{658}\)

As an exercise for drawing lessons for the preparation of the current CAS,\(^{659}\) it is clear just how the content from the completion report for the earlier CAS has influenced the thematic focus upon participation and partnership in the newest Strategy. Several examples of the way that this manifests in the CAS as a defence by the Bank of its interests are useful here in order to forcefully make the point. Once again, the emphasis upon the relationship between particular ‘stakeholders’, notably government at both a national and local level, and the success or failure of the Bank’s objectives is particularly stark. Indeed, the CAS states quite frankly that its ‘effectiveness’ depends in large part on the ‘political appetite for reform and the pace of change’.\(^{660}\) This ‘appetite’ for reform is linked in a scaled way to the potential for expanding the Bank’s portfolio during the timeframe covered by the CAS.\(^{661}\) Subsequently, the importance of partnering with stakeholders – such as the government (at several levels), civil society, the private sector and other development partners – receives specific attention.

Unsurprisingly, the importance of partnering with government, local and national, is particularly emphasised. The Philippines government is after all a Bank member (and part owner), borrower and client, not to mention heavily associated with an important bundle of institutions at the centre of the Bank’s agenda, both as targets of reform and ‘containers’ of elements crucial to promoting and facilitating reform. It will be recalled from the first section of this paper that government was a significant participant overall in the consultation processes associated with developing the CAS. Here, the alignment with and ‘partnering’ of the government’s development plan are

\(^{658}\) Ibid, 65. Note that not all of the excerpts are quoted here in full.
\(^{659}\) Ibid, 56.
\(^{661}\) Ibid, 46.
salient reminders of the importance placed upon this relationship. Indeed, the CAS and
the Philippine government’s medium-term plan, the MTPDP (mentioned earlier), are
linked in several ways. First, remember that it is a prerequisite for the Bank in
developing a CAS that the country in question has a development plan, like the MTPDP
in place (in the Philippines’ case the MTPDP sits in place of the PRSP). Additionally,
the CAS’s consultation workshops were organised simultaneously with the
government’s canvassing of its own plan (the MTPDP). The Bank makes the
relationship between the CAS and the MTPDP particularly apparent, stating that the
strategy ‘applies key lessons’ from past ‘engagement’ and feedback from stakeholder
consultations, building ‘upon the government’s Medium-Term Philippines
Development Plan’. The Bank has ‘reconciled’ the MTPDP and CAS themes in a
way that conveys compatibility between the two, on the surface lending legitimacy to
the CAS (which is seen as being compatible with the ‘country plan’) and implying
‘ownership’. Of course it should be remembered that the relationship between the
CAS and the MTPDP development plan is potentially a political one also, with the
MTPDP being a prerequisite for a CAS (which is, in turn, essential for the Bank’s
country program to continue).

However, beyond the connection with government through the MTPDP there is
an effort to partner government line agencies and local government units (LGUs) to
achieve reform ‘lock-in’. This is hardly surprising given the fact that the CAS stipulates
that potential areas for Bank Group support could address ‘government priorities’ such
as fiscal reforms, budget and expenditure reforms, civil service reforms, the
streamlining of agency staffing, procurement reform and anti-corruption measures.
In deciding upon the ‘thrust’ of support, ‘Bank Group assistance would be tied to the
quality and implementation of reforms, as well as for groups that show the most
promise of becoming islands of good governance.’ Such an approach is clearly
evident in the evolving relationship between the Bank Group and the LGUs. Indeed,
within the current CAS, LGUs receive particular attention as a ‘direct client’. As the
CAS notes, the Local Government Code of 1991 shifted responsibility for many

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MTPDP was produced by the National Economic Development Authority (NEDA) which was the key
government agency associated with the CAS consultation process.
663 World Bank (Philippines), ‘Feedback Report to Participants’, 4. In one particular interview with a
Senior Bank Country Office staffer it was clear that they were pleased that the MTPDP was now ‘more
credible’, perhaps suggesting that it was more reconcilable with the CAS than previously.
665 Ibid, 33.
666 Ibid, 34.
services to the LGUs.\textsuperscript{667} Subsequently, the Bank has strongly recognised the importance of the LGUs in relation to its operations. It operates the LGU Assistance Portal on the internet, and states in the current CAS that with their substantive responsibilities for service delivery LGUs are placed ‘at the forefront of development and poverty alleviation.’\textsuperscript{668} Given the increased focus at the local level, this makes LGUs important or potentially important ‘partners’ and ‘participants’ in the Bank’s work. In particular, the Bank is clearly interested in promoting what it sees as well functioning LGUs as ‘islands of good governance’, for replication elsewhere, proposing a performance and capacity framework in part for ‘strengthening LGU accountability, thereby reinforcing the decentralization process’ through benchmarking.\textsuperscript{669}

Rather than partnership (and ownership) in a more traditional sense, what is actually requested in the CAS is the assistance of various government bodies to rally around and/or fall into line with the Bank’s strategy. While this is perhaps to be expected, we should ask what this implies for political representation. While it is accepted that the Philippines, despite democracy, has failures evident in its political processes, the manner in which an alternative institutional arrangement is advocated in the CAS actually depends upon yet another form of elitist politics (the paradigm that is seen as solely ‘legitimate’ is elite driven) – albeit one that is distinctly different in delivery, intent and content. What is subverted by the Bank’s self-interested approach, is pluralist or non-neoliberal political participation and influence. While ‘good governance’ requires what is encapsulated by the Bank’s versions of partnership and participation, political representation could require quite the opposite. Within SIN, partnership and participation attempt to prohibit political plurality, its representation and its potential to influence institutional form.

Interestingly, for all the attention that the Bank Group (especially out of Washington) has given civil society, the actual role it is allocated is rather minor in the Philippines CAS. This is perhaps because relationships with LGUs replace the functional need of civil society. Yet similar trends to those above reveal themselves in the way that civil society and the poor are incorporated into the CAS. For example, the Bank describes its ‘outreach efforts to civil society and beneficiaries in project preparation and implementation’ as ‘especially successful’.\textsuperscript{670} In addition to ‘civil

\textsuperscript{667} Ibid, 34.
\textsuperscript{668} Ibid.
\textsuperscript{669} Ibid, 35.
\textsuperscript{670} Ibid, 28.
society’, there is a demand for participation of the poor in decision making – despite their lack of participation in the CAS consultation meetings (mentioned above). Once again this is linked back to implementation – where social exclusion is coupled to the difficulties associated with reform:

While public decision-making is formally open to all members of society, the effective participation of the poor and other marginalized groups is often limited. Their diminished social inclusion and sense of disenfranchisement make policy making, especially the implementation of hard reforms, all the more difficult because many groups of the population may not expect to share the benefits of public services and reforms.671

Finally, rounding off the continuity in the concern for implementation, the importance of the participation and partnership with other development organisations and multilateral agencies, especially the Japan Bank for International Cooperation (JBIC) and the ADB is emphasised in the CAS. This is, in part, surprising as they are actually competitors in lending circles. Ideologically, however the ADB and the Bank Group are perhaps closer than ever and efforts are emphasised within the CAS towards ‘harmonisation’ between their respective programmes.672

Conclusion

The foregoing review of participation and partnership in the context of the Philippines CAS is illuminating in regard to the use of both political technologies and delivery devices within SIN. The limits to the respective definitions of the key concepts of participation and partnership are obvious to the point that they bear little resemblance to their more traditional definitions. The concern for the Bank here is, yet again, implementation, not just for the sake of pushing an ideologically charged policy set but also to facilitate further lending opportunities which are tied to reform success. Both the language and processes attached to participation and partnership is specifically connected to program and project delivery and this connection is stark.

However, the functional approach to participation and partnership reveal substantive tensions that relate to political representation, where important groups are

672 Ibid. according to the CAS, the combined programmes of the Bank Group, the ADB and JBIC comprise 90 percent of the official development assistance to the Philippines
not adequately represented and where irreconcilable divisions exist. The divisions that get in the way of a more pluralist partnership and participation within SIN are of course political. The disconnection between some of the key development-focused NGOs in the Philippines and the Bank Group could not be greater. Indeed, the Bank sticks with its own in an arrangement where it includes those compatible with its project and alienates those who are not. While not deliberately excluding critical groups from its consultation exercises, the circumscribed nature of the Bank’s processes and ideology mean that groups often exclude themselves – with concerns over the process being construed or used as a legitimising campaign or as a formulaic exercise required for bureaucratic validation.

In terms of the roles of participation and partnership within the CAS, the concern for implementation is again central. It is particularly evident in the attention that government (both line agencies and the LGUs) get in the overall strategy. Interestingly, the limited specified role for ‘civil society’ in the strategy reveals some disconnection with the more participatory pronouncements that come from the Bank’s participation website, potentially pointing towards an organisational preference for working with local government than certain NGOs. Indeed, given the difficulties often associated with political society for SIN and the Bank’s interest in decentralisation, this may well become a trend, with local governments becoming the crucial implementers, monitors and ‘clients’ of the next generation of development initiatives (increasingly replacing national governments and NGOs). It is, of course, unsurprising that government at various levels features so robustly in the CAS – at the national level government is after all the Bank’s ‘main client’). Yet, what is interesting is that for all the talk of participation and partnership, the potential for the meaningful involvement of some of the Philippines’ diverse political groups is so dramatically circumscribed. This derives from SIN’s functionalist concern for securing political and ideological objectives. Here, partnership and participation within SIN should be recognised for the political technologies that they are, merely deployed to complement delivery devices (like the CAS) for SIN’s prescriptive set. Whether as political technologies they are successful in ameliorating the tensions concomitant with market relationships is, of course, very much another matter. Given the irreconcilable nature evident between SIN’s prescriptions and the interests of many groups, we should be sceptical of its potential in this regard.
Chapter 8

A ‘SINful’ Approach to Poverty Reduction? The Kecamatan Development Program in Indonesia

This final chapter details the relationship between ‘poverty reduction’, politics and SIN, largely via an analysis of a large-scale delivery device (a social development program in Indonesia), which takes a radical approach to embedding SIN forms of governance. Like the themes covered in the previous two case studies (market extension, participation and partnership), ‘poverty reduction’ is now found ubiquitously in Bank documents and statements. Furthermore, it intersects in an almost seamless fashion with those aforementioned themes, which are related by the Bank to methods and prescriptions by which to realise poverty reduction. Indeed, the language of poverty reduction permeates through project documents and programs as both an end-goal of, and justification for, particular delivery devices, which, in turn, attempt to apply the new basics with the assistance of SIN’s political technologies.673 Indeed, given the way the Bank uses the term, everything that the organisation does appears, in one way or another, to be related to poverty reduction. However, the link between what the Bank does (promoting market-led development with various delivery devices and political technologies) and substantive poverty reduction is a point of significant contention.674 It is therefore appropriate that this final case study chapter takes a critical look at the concept, being as it is both ‘all-enveloping’ and controversial.

The chapter begins by briefly looking at the Bank’s reorientation around the theme of poverty reduction and, subsequently, Paul Cammack’s new materialist critique of it, cautiously adopting his analytical position with some qualifications. The substantive portion of the chapter is then taken up with a case study that looks at the World Bank’s Kecamatan (pronounced ketchamatan) Development Program (KDP), which presents an excellent example of SIN’s institutional emphases upon social capital and governance put into practice in the name of poverty reduction. Essentially, the KDP is a social development project that seeks to change patterns of behaviour at various

673 The most obvious devices here are of course the Poverty Reduction Strategy Papers (PRSPs – covered in chapter five). However, the thematic function and presence of poverty reduction goes well beyond these. Many analyses of the Bank’s poverty reduction work have looked at the PRSPs and it is at least partly deliberate here (and in the previous two chapters) that I have chosen case studies that are not PRSPs in order to demonstrate the pervasiveness of the poverty reduction emphasis of the Bank and the myriad non-PRSP mechanisms in which it manifests.

674 Interestingly, as we will see in the case study below, this tension sometimes exists within the Bank itself.
levels of society – attempting to normalise transparency and accountability, and assist the decentralisation process, for example – by using the provision of funds at the local level as an incentive. More than this, though, the KDP is an example of a World Bank project run by people who take SIN to perhaps its most extreme, aided and abetted by a particular political and historical context. This is important as it indicates that specific political contexts, both within the Bank and within a member country can facilitate and/or impede the potential for certain types of SIN reform to be both conceived and implemented. Indeed, as will be made evident, the KDP, like SIN, owes its existence and precise form to crises (the 1997-98 Asian financial crisis and the broader crisis of neoliberal legitimacy that partly ensued from this) and the pressures and opportunities that these crises provided to different actors. In the Indonesian context, where the Bank’s portfolio was massively impacted by the crisis and the organisation’s reputation was heavily tarnished by, among other things, its close relationship with the Suharto regime, the KDP presented an alternative approach (driven by the Bank’s social development unit – SDU – in Indonesia) to both the Bank and the Indonesian Government (who had few options during such a desperate period). Furthermore, the program was undoubtedly assisted by the fact that it was representative of the focus upon social development that had ascended in the Bank previous to the crisis and that was strongly supported by Wolfensohn as important in reframing the Bank’s activities.

Certainly, the Bank’s SDU in Indonesia, which is so heavily associated with KDP, has demonstrated that the SIN ‘envelope’ can be pushed to generate different types of projects to those typical of the Bank’s portfolio, providing that the political contexts within and outside the Bank are conducive. However, it is critical to understand what is actually different about a project like the KDP. This is taken up at length in this chapter with a demonstration of how the KDP works and what is attempted through it. The conclusion is that what really is different about KDP – and what makes it apparently ‘radical’ (as with the SIN of the PWC more generally) – has to do with its approach to delivering reform.

The picture that emerges from the analysis is that there is a spectrum within the Bank’s poverty reduction work and that political context matters in determining on which part of the SIN continuum particular projects and programmes reside. Politics also matters with respect to implementation – as we will see. However, despite there being more orthodox and more ‘progressive’ variants within the Bank’s poverty reduction work, at no time is the SIN paradigm abandoned. If anything, one could see
the paradigm as strengthened by the very implementation approaches that a program like KDP adopts. If that paradigm is seen as exacerbating and entrenching asymmetries of power – as this thesis asserts is the case with SIN-based market-led approaches to development – then KDP’s potential to realise long-lasting and significant reductions in poverty should be treated with considerable scepticism. While the KDP may have the potential to reduce poverty in the short-term (although even key people associated with the project have their doubts, as we will see below), Cammack’s concerns about ‘proletarianisation’ resulting from the Bank’s project should be taken very seriously.675

This potential outcome (the proletarianisation of the poor) places the Bank’s ‘poverty reduction’ work in context. Alternatively, substantive questions emerge in relation to the longevity of KDP’s influence upon norm creation and attempts at ‘institution building’ – elements which are key to achieving proletarianisation. Importantly and fundamentally, this also raises the question of whether an expensive debt-funded program like KDP should be considered an efficient method of poverty reduction.

The Bank’s ‘refocus’ upon poverty reduction

The Bank’s work on the theme of poverty reduction is strongly correlated with the Wolfensohn presidency and the challenges faced by the Bank leading up to and during this era. Several excerpts from a Bank-published book on Wolfensohn’s incumbency, serve as reminders of the pressures faced by the Bank (covered in detail in chapter two) which prompted the amplification of the emphasis upon poverty reduction:

Faced with questions about its relevance and effectiveness, the World Bank reshaped and refocused its mission, anchoring it on poverty reduction as the raison d’être of development. A rebalanced agenda has fundamentally altered the traditional relationships between the Bank and its clients and other partners. It has also changed the face of international development.676

It continues:

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In 1995 the Bank had to adjust to an emerging development paradigm that put poverty at the center of development efforts, recognizing equity as essential for prosperity and acknowledging the importance of institutions. This shift called for a reexamination of the Bank’s core strategic thrust—against a backdrop of a world rapidly moving toward market-based democracies and globalization, fueled by the revolution in information and communications technologies.

In response, the Bank realigned the way it worked. It sharpened its focus on poverty reduction. It changed its relationship with the clients putting them in the lead. It broadened its reach and leverage by establishing or strengthening partnerships. It expanded the scope of its work to focus on binding constraints to poverty reduction. And it introduced far-reaching institutional changes that made it more responsive and more relevant. There were four elements to the change agenda: a new business model, declaring war on poverty, broadening the scope of Bank action, and realigning the institution.677

In the same book, current World Bank Chief Economist François Bourguignon argues that the focus on poverty reduction was more of a refocus, rather than something entirely new. However, what was new was that poverty reduction was now seen as strongly correlated with growth:

First of all, the Bank’s agenda became more focused on the objective of poverty reduction. Indeed, the emphasis on poverty was not new. Development has long been concerned with improving living standards and reducing poverty. Only in the 1990s did poverty reduction become the overarching goal of development and development assistance.

What was new was that the emphasis on poverty reduction was fully articulated with growth, no longer antagonistic to it.678

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678 François Bourguignon, ‘A Broader, More Integrated Approach’, in Kagia (ed.) Balancing the Development Agenda: The Transformation of the World Bank Under James D. Wolfensohn, 1995-2005, cited previously, 10; Angus Deaton (Professor of International Affairs and Economics at Princeton), also in Kagia’s edited book, is more dramatic about the focus upon poverty reduction under Wolfensohn: ‘Five or six years ago, around the middle of Jim Wolfensohn’s time at the Bank, I attended a consultation in Delhi about the preparation of the World Development Report 2000/2001: Attacking Poverty. The World Bank manager who introduced the consultation explained to the audience that every 10 years the World Bank devoted the WDR to poverty to take stock of progress toward the Bank’s ultimate mission. When I heard the manager’s claim, I was startled by its rewriting of history. It was true in the most literal sense: there had been major reports on poverty in 1980 and 1990, so that Attacking Poverty would indeed be the third in the sequence. But before Jim Wolfensohn’s time, it was simply not true that the World Bank had consistently focused on a mission of poverty reduction. If there had been a World Development Report on poverty once a decade, it was only because the cycle of development...
This refocus and ‘reconciliation’ with growth has resulted in a situation where almost any facet of the Bank’s work can be related by the organisation, or elements within it, to poverty reduction.679

The theme of poverty reduction as it is used by the Bank is viewed in this thesis with Cammack’s new materialist analysis of it, as a project that facilitates ‘the proletarianisation of the world’s poor’, as a key influence and concern.680 However, partly endorsing and extending upon Marcus Taylor’s criticisms of Cammack’s argument, it should be made clear that the argument presented here places a stronger emphasis upon the critical role of political contestation, history and contradiction within both the Bank, and member countries, in determining the nature of and outcomes associated with particular poverty reduction projects.681 Indeed, the relatively variegated nature of SIN’s manifestation on the ground is in no small way related to these very contestations and contradictions.682 For example, the case study elaborated below illustrates that the Bank’s internal dynamics, right down to the country level, are related to the very form that neoliberal poverty reduction initiatives take in different settings. In this way, KDP demonstrates how relatively progressive factions within the Bank are able to push forward a fairly unique, albeit still neoliberal, project because of the congenial alignment of both contradiction within the Bank’s previous work (issues with

fashion within the Bank took about 10 years to turn full circle. At that frequency, the Bank would come round to worrying about poverty, documenting it, and thinking about how to tailor policy to eliminate it. In between times, other views prevailed. There were (long) years when “getting prices right” was the keystone to economic growth and when there was no need to measure poverty, because there was no other possible policy. Dogma dominated data, making it largely superfluous.

Five years later, things are different. Under Jim Wolfensohn, the Bank’s poverty reduction mission is clear, and it has held steady to that course for long enough so that even some of its sternest critics have begun to understand that the commitment to poverty reduction is for real, even if some will always disagree with the means. That, in itself, is an enormous change. See Angus Deaton, ‘Reducing Global Poverty’, in Ruth Kagia (ed.) Balancing the Development Agenda: The Transformation of the World Bank Under James D. Wolfensohn, 1995-2005, cited previously, 151-152.

679 On this point, a Senior Poverty Reduction Specialist in the Indonesian World Bank office responded positively when I mentioned that it seemed as though everything that the Bank did could be construed (by the Bank) as being related to poverty reduction. Interview with Stefan Nachuk, World Bank, Jakarta, Indonesia, December 8, 2005.

680 Marcus Taylor’s critique of Cammack’s ‘new materialism’, that is concerned with some of these very issues, was noted in chapter one. Marcus Taylor, ‘Opening the World Bank: International Organisations and the Contradictions of Global Capitalism’, Historical Materialism, vol. 13, no. 1, 154.

681 What matters is where exactly this contestation, contradiction and change have impacted. Importantly, analyses of Bank documents, like the WDRs, together with analyses of projects and programmes illustrate the adherence of the Bank’s work to specific paradigmatic confines (as ‘a project’) that can at least have as their potential output the concerns of Cammack. Such an analysis does not need to imply a lack of conflict, nor a structural-functionalist logic if sufficient historical detail is added and the disclaimers are noted that both ideology and politics play significant roles that both facilitate and attenuate the outcome.
implementation, program outcome and corruption, for example) and within the global political economy also (the Asian crisis, is a key factor in the story below). Understanding the shape of the Bank’s approach to poverty reduction as conditioned by such factors and relationships assists in addressing Taylor’s criticisms of Cammack’s work as structural-functionalist (or monolithic), truly ‘opening up the Bank’, right down to the country level.683

Nevertheless, Cammack’s concerns should be taken very seriously – especially in the case of projects that actually get implemented. For Cammack, poverty reduction as interpreted by the Bank is ‘conditional upon, and secondary to’684 the implementation of programs that seek to extend market relations and, ergo, the concomitant asymmetries of power inherent in such relations. Thus, to varying degrees, the poverty reduction approach associated with SIN is seen as generating ‘proletarianisation and capitalist accumulation on a global scale’ as its output.685 This is not to say that the Bank’s focus upon reducing poverty is disingenuous. Neither is it incompatible with a detailed analysis of the contradictions and politics inherent in what the Bank does. Crucially, here, Cammack’s point that that the Bank’s pursuit of poverty reduction is ‘real, within limits’ is accepted.686

My argument is that, while the Bank’s commitment to poverty reduction is real, within limits, it is conditional upon, and secondary to, a broader goal. Its principal objective is the systematic transformation of social relations and institutions in the developing world, in order to generalise and facilitate proletarianisation and capitalist accumulation on a global scale, and build specifically capitalist hegemony through the promotion of legitimating schemes of community participation and country ownership.687

The point is that poverty reduction’s subordination to and dependence upon SIN tenets entails the reproduction of social asymmetries – even if this isn’t the explicit intension of particular project architects or the organisation itself. It should become apparent in this chapter (as well as in the thesis) that ideology and politics together must be central foci in an analysis of the PWC. Thus, what has evolved from the political conflict (over

685 Ibid.
686 Ibid.
687 Ibid.
and within neoliberalism) are projects and programmes that do differ from those of earlier. However, crucially, none depart from the logic of market extension – although this logic now incorporates the new basics and a more diverse array of delivery mechanisms and political technologies to attempt to achieve what was previously often unachievable – implementation.

As mentioned above, for the Bank, poverty reduction is in essence what it does. It is embodied in the organisation’s motto, ‘working for a world free of poverty’. It is the goal of the organisation which is apparently to be realised through the efficient operation of markets and growth. This is seen as depending upon the production of social and human capital, and the attraction of financial capital through the presence of well-functioning neoliberal regulatory institutions (all of which relate to the new basics). Therefore, for the Bank, social capital and human capital programmes can be considered ‘poverty reduction’ programmes in the same way that restructuring a banking sector or government institutions in line with the key tenets of SIN can be.

That the Bank’s notion of poverty reduction is ‘conditional upon, and secondary to’ the broad SIN project is a vital point, as this is a guiding constraint on what is possible even for those working within the Bank that are critical of its more orthodox elements. Indeed, the two (poverty reduction and the SIN fundamentals) actually need to be separated because in actuality (i.e. beyond the Bank’s public pronouncements about what it does and its conflation with ‘poverty reduction’) the causal relationship between the two is highly contested, problematic and far from conclusive. Indeed, on this point Cammack’s portent about the World Bank’s broader project facilitating the proletarianisation of the poor is crucial, even if political realities mean that implementation is often more problematic than his argument might suggest.

How the KDP operates

The KDP is an innovative, large-scale poverty reduction project that attempts to put core SIN emphases (in particular, those of social capital and governance) into practice. Essentially, it seeks to change patterns of behaviour by providing funds to the local level for infrastructure and other purposes as incentives. Crucially, though, the

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688 Ibid.
KDP is different to many other neoliberal development projects in its approach to delivering reform. Indeed, the specific design of the project is quite radical, illustrating the shift in conditionality that is an important feature of SIN. In the program, leverage for policy reform operates at a local level, bypassing much of government. In many ways, when compared to earlier neoliberal development projects, this appears quite progressive and different. Resources are allocated to villages on a competitive basis, for projects that villagers actually propose. Also buffering the program’s seemingly progressive credentials, is its emphasis upon the participation of women. Furthermore, KDP has a defining focus upon creating a type of governance that goes beyond that typically associated with the ‘good governance agenda’, in that it is seen, especially by significant people associated with its design and implementation, as having the potential to increase more broad and active forms of political participation and representation (beyond simple market-establishing concerns). In this respect it is highly ambitious, seeking nothing less than the reframing of citizenship in post-New Order Indonesia.

The KDP is associated with the World Bank’s SDU based in Jakarta, and it has received attention from academics and popular authors alike. Indonesian government agencies describe the project as one that aims to alleviate poverty and improve local-level governance in rural Indonesia. For the Bank, it is described in a more formal manner as a project to ‘support participatory planning, and development management in villages, through a broad program of social and economic infrastructure, [which] will also strengthen the local formal, and informal institutions, through greater inclusion, and accountability of basic development needs.’ It is classed as a community

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690 See for example Li, ‘Neo-liberal Strategies of Government Through Community: The Social Development program of the World Bank in Indonesia’, cited previously; Sebastian Mallaby, *The World’s Banker: a Story of Failed States, Financial Crises and the Wealth and Poverty of Nations*, (New York: Penguin Press, 2004), 174-206. Tania Li’s paper on the KDP draws upon Foucault’s notion of ‘government’. Her analysis has many synergies with this chapter, however, my approach differs somewhat in that KDP is seen as one example of the evolution and reproduction of neoliberalism more generally towards hegemony. Furthermore, the proletarianisation aspects of the KDP are seen as an important aspect of its potential, given that the project is (at least temporarily) successfully implemented. In this regard, the framework here is more strongly centered around social conflict theory, Gramscian and other Marxist approaches.


empowerment/social protection project by the Bank and its task leader, Scott Guggenheim, is also the lead social development specialist for the Bank in Indonesia.693

The KDP has gone through several phases – each one expanding upon the previous in size. Its pilot version covered twenty-five villages in 1997, its first major phase (KDP 1) reached 15,000 poor villages and, in 2005, it was expected to reach just under half (30,000 or so) of all the villages in the country.694 A version of it was used by the Bank in Aceh and North Sumatra to assist in the post-tsunami environment and similar projects are being recreated in Afghanistan, East Timor and the Philippines.695 It is the biggest community development project in Southeast Asia696 and has been a major example of what the Bank has called ‘scaling up’ – that is the often rapid increase in the size of new programs to reduce poverty. Furthermore, KDP’s role in terms of cost-effective infrastructure is impressive. For example, KDP I saw US$133 million in rural infrastructure construction, 16,700 roads (19,000 kilometers) built or upgraded, 3,500 bridges built or reconstructed and its estimated beneficiaries are quoted as 35 million people, with 25 million workdays generated, and the short-term employment of 2.8 million villagers.697

693 According to one of the Bank’s senior poverty specialists in Indonesia, the Bank’s SDU is probably the biggest of any social development unit in the world (perhaps even bigger than that of the Washington head office). Interview with Stefan Nachuk.


697 Further to this, 2,800 clean water supply units, 1,300 sanitation units, 5,200 irrigation systems were built. 400 public market structures were constructed, (16 were rehabilitated) and 260 rural village electrification activities were undertaken. See ‘KDP Achievements’, in Ministry of Home Affairs (Indonesia), Community Development Agency, KDP National Secretariat and National Management Consultants, Kecamatan Development Program, 1998-2002, Final Report, 23.
It is worthwhile having a look in detail at how the KDP operates. This is important in assessing both how different, and similar, KDP is as a Bank project, in comparison to other projects operated by the organisation. Indeed, it is seen (in particular by people closely associated with it) as being substantively different from ‘standard development projects’. A brief overview of KDP’s structure illustrates where much of this perceived difference stems from. Here, the nature of reform delivery is key. KDP basically provides funds (block grants of US$40,000 – US$114,000) to the kecamatan or sub-district level. The broad list of what KDP can finance is long and wide-ranging:

KDP can finance productive infrastructure, social and economic activities. Proposals can include a mixture of various social, economic and infrastructure activities if the villagers so choose. Project menus are open to all productive investments except those on a negative short list [which includes military or paramilitary purposes, civil works for government administration or religious purposes, manufacture of environmentally hazardous goods, arms, or illegal drugs, or financing of government salaries. There is also a restriction upon land acquisition]. Villagers can prepare joint proposals, for example, for multi-village irrigation, road or water supply systems.

Importantly, villagers make decisions on the use of the funds for ‘infrastructure, social or economic activities.’ The manner in which the funds are distributed down to villages is itself very interesting:

The distribution of funds within the subdistrict is through a subdistrict forum to a village. The subdistrict forum consists of village heads plus additional, broadly represented persons (such as religious and traditional leaders, teachers, etc) and three representatives (one man and two women) from each participating village. The subdistrict forum also creates a unit called the

698 Guggenheim, ‘Crises and Contradictions’, 4-6. This point was also made to me by several Bank staff in the social development unit.
701 Ibid.
A SINFUL APPROACH TO POVERTY REDUCTION?

financial management unit to manage KDP funds and to oversee any large procurement.702

Crucially, this funding arrangement is also associated with particular processes of ‘socialisation’ (to the ways of KDP), planning, proposals and project selection.703 These processes are seen as critical to the project and illustrate the importance of its simple (yet strong) rules and the role of facilitators in the project’s operation.

The socialisation stage of KDP is seen as a vital elementary stage to ‘…[support] the success of the processes and activities implemented in the following stages.’704 The operational manual for KDP states that the intention of this stage is to form a uniform understanding of the program by its participants and to encourage participation and monitoring. Various forums are important in this process.705 Initially, word about KDP is spread through workshops at the provincial, district and subdistrict levels ‘…to disseminate information and popularize the program.’706 These ‘…workshops involve community leaders, local government officials, local press, universities and NGOs.’707 Village, sub-village and group meetings are also held to further spread information about KDP and ‘…encourage people to propose ideas for KDP support.’708 Planning meetings are then conducted at the sub-village and village levels. Here, facilitators are involved, from the village and sub-district level, to spread information about KDP procedures and to encourage the submission of ideas for KDP funding. At this stage, women also hold their own meetings in order to decide ‘…upon women’s proposals’ .709 A subsequent village meeting is then held, where the respective ideas of the villagers are discussed and the ideas that are to be put forward to the sub-district (inter-village) forum are decided upon.710 All in all, this socialising and planning stage takes about 1-2 months. Each village can submit up to three proposals to the inter-village forum, with one of these proposals coming ‘from village women and a second from a women’s savings and loan group.’711 Proposals are written up specifying important information, such as the ‘…proposed location, number of beneficiaries,

702 Ibid.
703 Ibid.
704 World Bank, KDP II, Operational Manual, 16.
705 Ibid. In addition to these forums mass media and religious and other community meetings are used to spread the word about KDP. Ibid.
706 Ibid.
707 Ibid, 7.
708 Ibid.
709 Ibid.
710 Ibid.
711 Ibid.
volume/dimension, and may include a rough cost estimation.\textsuperscript{712} These are then discussed at the inter-village level.\textsuperscript{713}

A process verifying the fulfilment of the technical requirements of each proposal prior to project selection also takes place. For this, a team – usually comprising of ‘community leaders, the Subdistrict facilitators, and appropriate technical staff recommended by the District Engineer’ – is involved.\textsuperscript{714} Some of the issues with which this verifying team is concerned are the economic and technical feasibility of a given project, the amount of people benefited by the project, the planning for maintenance or loan repayment – where loans are involved, the level of participation by people in the idea proposal process, and the local community contribution.\textsuperscript{715} Proposals are then discussed at a second inter-village meeting to determine priority rankings.\textsuperscript{716} After this, one more meeting of the villages occurs, proposals are selected and a grant agreement is drafted for the successful proposals.\textsuperscript{717} This agreement is ‘…signed by the kecamatan manager for KDP, the person-in-charge from the village, the village chief, and the head of the Activity Management Unit.’\textsuperscript{718}

Competition between individual proposals is also a vital feature of KDP. Where a strong consensus cannot be reached, villagers are given criteria in order to prioritise particular proposals, often with the assistance of a facilitator.\textsuperscript{719} Interestingly, this competitive element was highlighted to me in a meeting of villagers in West Java as an undesirable facet of the project that should be eliminated.\textsuperscript{720} One particular person also noted that the prioritisation of projects is difficult, with each village ranking itself highest, and with bargaining processes taking place between villages.\textsuperscript{721} For Guggenheim (the program’s team leader), however, conflict within KDP is not a major

\textsuperscript{712} Ibid 7-8.  
\textsuperscript{713} Ibid.  
\textsuperscript{714} Ibid.  
\textsuperscript{715} Ibid.  
\textsuperscript{716} Ibid. Projects that are deemed not feasible are discussed with communities so that they have the opportunity to modify the proposal or at least gain an understanding of why the proposal was rejected by the facilitators. While the facilitators can recommend rejection, the communities must still make the decisions themselves. Ibid.  
\textsuperscript{717} Ibid, 9.  
\textsuperscript{718} Ibid.  
\textsuperscript{719} In an interview with people from the Ministry of Home Affairs, both of whom were very positive about KDP, the competitive element was iterated as one of KDP’s key principles (along with transparency, decentralisation, being pro-poor and sustainability). They noted that while a facilitator was involved to assist where consensus couldn’t be reached, they often don’t need to do anything. Interview with Richard Gnagey and Prabowo Ekasusanto, Jakarta, December 13, 2006.  
\textsuperscript{720} Other people present at the meeting agreed with this sentiment. When I asked them what was good about it, people offered that its involvement of the community was good and that given the lack of money in the area any assistance from the government or the World Bank was generally to be welcomed. Meeting with villagers in West Java, April 21, 2005.  
\textsuperscript{721} Meeting with villagers in West Java.
factor: ‘…we don’t have conflict within KDP – or very little’.722 One of Guggenheim’s key colleagues in social development is perhaps a little more cautious – especially in relation to consensus being met: ‘consensus at the village level is generally met – although there are some conflicts.’723 Nevertheless, facilitators and consultants are vital to the management and operation of KDP – a point corroborated by numerous other people associated with KDP.724 Indeed, a veritable army of private consultants (4,200 in KDP II) is involved at all levels down to the subdistrict level to ‘…implement the technical aspects of the project.’725 Further to this, two (one male, one female) or three facilitators are elected for every village participating in KDP.726

All of this is managed at the national level by the Community Development Agency within the country’s Ministry of Home Affairs which is responsible for the management of KDP on a day-to-day basis and is, for World Bank purposes, the implementing agency.727 Additionally, a deputy for regional development within BAPPENAS (Badan Perencanaan dan Pembangunan Nasional) – the national development agency – heads up the KDP’s National Coordination Team, which ‘…provides oversight, strategic planning and evaluation’ of the project.728 Other ministries are represented by government coordination teams, which also assist with the management of KDP, and there is also a role played by province and district levels.729

The financing structure is also interesting and important, being indicative of both similarities and differences of the KDP as a Bank program. At the level of the World Bank and the Indonesian government, KDP is a combination of a credit (that is, a

722 Interview with Scott Guggenheim, Jakarta, December 15, 2005.
723 Interview with Victor Bottini, Community Development Specialist, World Bank, Jakarta, April 19, 2005.
724 Interview with Victor Bottini; Interview with Tataq Wiranto; Interview with Richard Gnagey and Prabowo Ekasusanto. Almost all of the consultants are Indonesian and the case study on KDP II states that ‘[t]otal international TA [technical assistance] comes to less than one percent of the project budget.’ World Bank, KDP II Operational Manual.
725 Guggenheim, Wiranto, Prasta and Wong, ‘Indonesia’s Kecamatan Development Program’, 9. It is stated that private consultants (rather than government personnel) are used in order to avoid ‘inflating the civil service payroll’ and to provide ‘more flexibility’. Most of these consultants are Indonesian. Guggenheim, Wiranto, Prasta and Wong, ‘Indonesia’s Kecamatan Development Program’, 9. For a detailed list of key KDP actors see World Bank, KDP II Operational Manual, 11-15.
726 Guggenheim, Wiranto, Prasta and Wong, ‘Indonesia’s Kecamatan Development Program’, 9. The KDP II manual actually specifies that three VF s (or village facilitators) are chosen at the village level (from village members), - two ‘empowerment VFs and one ‘as a technical cadre.’ See World Bank, KDP II Operational Manual, 7, 12.
729 Ibid. BAPPENAS’s role is replaced ‘…by provincial and district planning boards’. Ibid.
This point itself is seen as a problem by various people, from a senior bureaucrat who was previously involved with KDP in significant ways to NGOs associated with the project. KDP II, III (and IIIb) have drawn upon both the interest-bearing International Bank for Reconstruction and Development (IBRD) funds and non-interest-bearing International Development Association (IDA) funds of the Bank, with varying grace periods of five to ten years. Nevertheless, the money supplied for KDP from both IDA and IBRD constitutes debt in a country that, in 2003, had US$77 billion in public (government) debt, of which nearly US$60 billion was bilateral and multilateral debt. However, when asked about the financing mix associated with KDP, Guggenheim is adamant that

730 The Bank money, in US dollars from both IBRD and IDA, in the budgets for KDP I, II and III is as follows (accurate up to November 2003): KDP I, $275 million; KDP II, $320.2 million; KDP III, $249.8 million. Ibid, annex 3. In the updated project information document for KDP III, the amount stated as being financed by both IBRD and IDA is stated as US $246.4 million. World Bank, ‘Updated Project Information Document’, cited previously, 17.

731 Interview with Gunawan Sumodiningrat; Interview with Rahadi Wiratama.


using loans for a project like KDP is entirely appropriate – especially instead of relying on grants:

First of all there are too many grants… . I think that KDP has such high rates of return and reaches so many poor people [that] this is exactly what a loan project should be doing. Instead, what you do [with grants] is put in a false subsidy – that is very helpful operationally, because you can do all sorts of things with grants, but it reinforces this idea that unless there is all kinds of concessional finance then ‘[damn] the poor people’. Right, and we’re happy to borrow money for airports but something that immediately benefits the poor, well, it’s beyond the scope.734

National government contributions to KDP are essentially zero, although local government contributions and community contributions are counted as Government of Indonesia (GOI) contributions.735 Furthermore, other funds also come from mid-level government which Guggenheim would like to see as a broader trend followed by other levels of government:

Because [KDP] was essentially developed through the crisis, we structured it in a way to, I wouldn’t say falsify, exaggerate local government contributions. So BAPPENAS…doesn’t actually contribute anything. When you look at the financing structure we count community contributions as Indonesian contributions, so at the national level there are essentially no contributions. The downside of that is that they see it as [a] one hundred percent World Bank project. Interestingly, at the other level, where the opposition [to KDP] was, at the mid-level government, we now get a tremendous amount of money. … [I] would like to be able to regularise the financing structure in a way that sort of commits to different levels of government that ‘you want it, you pay for it’.736

Under the existing structure, Bank money for KDP is transferred to the Bank of Indonesia (the Indonesian central bank) into a special account, then through the State Treasury Office as block grants down to collective accounts for the villages within each kecamatan. Instalments are then paid out of that account to villages in three tranches (40 percent, 40 percent and then a final amount of 20 percent), with the final amount

734 Interview with Scott Guggenheim.
735 Ibid.
736 Ibid.
only released once a process of certification has occurred. Additionally, after each tranche has been utilised, villages have to report to their community to explain how the funds were used – illustrating some of the transparency/monitoring aspects that play such a significant role in KDP – which are taken up in more detail below. Community contributions to KDP are also high. 

Even somebody with only a cursory knowledge of World Bank projects should be surprised by the KDP’s uniqueness – in particular its structure that allows villages to choose, albeit in a competitive environment, what they want to spend money on. Furthermore, it actually circumvents a lot of government, which is unusual for a World Bank project (national governments being the clients and members of the Bank). As we will see below, all of these facets are essentially related to reform delivery. While there are several other features that distinguish KDP as different for a World Bank project (covered below), what is crucial about KDP is the way in which it actually fits very comfortably within the reproduction of neoliberalism. Indeed, in many ways KDP can be seen as a somewhat rare example of a large-scale neoliberal institution building project that actually gets implemented in the way it was intended. This generates the related concerns regarding reform longevity and impacts upon poverty. These issues are covered in the following section on what the KDP sets out to do as part of the reproduction of neoliberalism and the manner in which it attempts poverty reduction.

The purpose of the KDP

We have seen above how the KDP operates – which emphasises much of what is different about program in comparison to other World Bank projects and programs. It is also important to emphasise what exactly the purpose of the KDP is. This is especially important in demonstrating how the KDP falls within SIN and, in turn, how it comes to be defined as a poverty reduction project. On one level the KDP appears to be largely about cost-effective infrastructure provision (and more) for villages – a fact Guggenheim, and various departments within the Indonesian government, point out.

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738 Ibid, 12.
739 Guggenheim is comfortable to note KDP’s relationship to neoliberalism noting that he sees the project as an example of being able to pursue progressive aims within the neoliberal paradigm. Interview with Scott Guggenheim.
740 With regard to this, Guggenheim noted to me ‘Everyone agrees, I think, – even in finance – that you build infrastructure more cheaply this way than any other way. I couldn’t make that argument in 1998 but now we can document it.’ Interview with Scott Guggenheim.
Yet it is vastly more ambitious and political than that. In essence, the KDP is a project that attempts to deliver its reform set (a mixture of good governance, social capital and decentralisation) via the incentive/leverage of the provision of infrastructure and other goods at the local level. The problem here is that the KDP, using debt-funded methods tolerable to the SIN paradigm, attempts to create patterns of neoliberal governance while ignoring many of the broader structural politico-economic impediments to development that countries like Indonesia face. Furthermore, and related, its links with the reduction of poverty are far from clear – even to its task leader.741

The KDP is both political and ambitious, in that it is designed to create certain institutional structures in the post-New Order environment.742 In this regard, the program is associated with reworking notions of citizenship, in part by creating demand for behavioural change (i.e. attempting to instil norms of transparency and accountability), using incentives to drive the process. In short, improving governance is the KDP’s primary output. Tania Li, writing on the Bank’s SDU in Indonesia (which is so closely associated with the KDP), has noted this fetish for governance over other issues:

Although the Bank’s social development team did not suggest that inadequate planning and failures of governance were the only source of poverty, they were the only sources taken up as the basis for the team’s very large and expensive anti-poverty program. The exclusion of refractory relations – unequal relations of production and appropriation foremost among them – was intrinsic to the construction of communities as sites of intervention.743

741 Even Guggenheim himself has questioned the link between projects like KDP and poverty reduction. At the World Bank supported ‘Scaling Up’ conference in Shanghai, 2004, Guggenheim provided a summary analysis of several case studies of community driven development (CDD), including KDP. A person who seems more than willing to highlight the problems of a particular project as well as its benefits, he frankly stated ‘The three cases [programs in Brazil, Yemen and the KDP] give us a good way out of the divide between economic justice and economic growth.’ However, he then went on to qualify that the relationship between these projects and the reduction of poverty just wasn’t known and that while CDD could lower the cost of projects and that this potentially meant that the Government of Indonesia, for example, had more money to spend on poverty reduction, there was no proof that such projects lower poverty. See Scott Guggenheim, B-Span video presentation, (Shanghai, 2004), available online: http://info.worldbank.org/etools/reducingpoverty/casestudy.asp?type=case, accessed January 12, 2006. This is despite the fact that the paper for the case study presented at this same conference (which Guggenheim co-authored) is entitled ‘Indonesia’s Kecamatan Development Program: A Large-Scale Use of Community Development to Reduce Poverty’ (emphasis added); World Bank, ‘Indonesia – Second Kecamatan Development Program’, 1; Guggenheim, Wiranto, Prasta and Wong, ‘Indonesia’s Kecamatan Development Program: Large-Scale Use of Community Development to Reduce Poverty’, cited previously, 1

742 The ‘New Order’ is the term given to former Indonesian President Suharto’s three decades of rule.

Importantly, in relation to this governance fetish, the KDP works around much of government. As one Bank staffer noted to me, while the program is ‘sold’ to the government as a poverty reduction initiative (which the government is happy with), it actually circumvents government.744 Somewhat telling here, is the manner in which the project’s design uses the kecamatans to by-pass existing political institutions to create or rebuild absent social and political institutions. Revealingly, a quote from Guggenheim explains just why the kecamatan level was chosen as a focus for the project:

Kecamatans seemed advantageous for some additional reasons above and beyond their accessibility to villagers. Because they were not a fully autonomous unit of government, they had no budget and contracting powers of their own, This meant that the collection of commercial and political interests that had a stronghold over government in the districts was much weaker in the subdistricts. Kecamatans also had a requirement to ‘coordinate’ village development through a kecamatan council that included all of the village heads, but because the kecamatan had no budget of its own to invest, most of these councils only met once or twice a year. And last, having villagers compete for KDP funds in kecamatan meetings would, we hoped, encourage the kinds of direct negotiations and cooperation that would provide a basis for rebuilding the supra-village horizontal institutions destroyed or neglected by the New Order.745

The updated project information document (PID) for the KDP III is especially telling in the program’s focus upon governance and where it stems from. What is particularly glaring here is the influence of neoliberal notions of social capital. ‘Community Empowerment and Local Governance’ is the first key section covered in the document, which refers back to a series of studies (the Local Level Institution – LLI – studies) that the Bank, BAPPENAS and the Ministry of Home Affairs carried out prior to KDP I. Crucially, these studies obviously had an indelible impact upon the KDP’s form.746 According to the PID, the LLI studies ‘identified a gap in local governance that exists in

744 Interview with World Bank Staffer, Jakarta, April, 2005.
746 See also Li, ‘Neo-liberal Strategies of Government through Community’, 14.
the large majority of Indonesian rural villages.\textsuperscript{747} The way that the concerns derived from this analysis are worked into the project information document draw upon a neoliberal version social capital-type analysis in that a lack of trust and dialogue is unproblematically connected to the present development situation and impediments to economic efficiency. Also evident is a concern for implementation, a pervasive theme in SIN:

This gap usually translates into a lack of trust, apathy and a low-quality dialogue about development. Externally induced development models that do not recognize the core problem of the local governance divide limit their own likelihood of success. Evidence of this root problem can be seen in the universally reported problem of poor public infrastructure construction standards and poorer maintenance in Indonesian villages, clear signs of little local ownership. As a result, social and economic resources are not as well used as they could be, particularly with respect to rural poverty reduction.\textsuperscript{748}

Here it is implied that poor governance leads to a lack of social capital (in this case a lack of trust) which is, in turn, seen as the reason for poor infrastructure. This might seem a rather selective analysis to some, especially for a country with a stated (by the Bank) per capita income in 2003 of US $810.\textsuperscript{749} However, the lack of trust and problems of corruption in the post-New Order environment (which are dramatically real) are used to justify an expensive ‘corrective programme’ of governance, as if it were a root cause of Indonesia’s situation.\textsuperscript{750} Governance is seen in the KDP beyond a merely functional relationship with the market, in contrast to the more normative notion of governance endemic within the Bank.\textsuperscript{751} However, the market element remains strong, and notably, in project documents the emphasis is upon the lack of governance

\textsuperscript{747} World Bank, ‘Updated Project Information Document’, 1.
\textsuperscript{748} Ibid.
\textsuperscript{750} Li has also made a similar point. See Li, ‘Neo-liberal Strategies of Government through Community’, 9.
\textsuperscript{751} In addition to the quote regarding citizenship above, another member of the World Bank’s SDU in Jakarta emphasised to me that Guggenheim was more concerned with governance and its relationship to democracy than its relationship with the market. Conversation with World Bank two World Bank SDU Staff, Jakarta, April 18, 2005.
and its impact upon market functionality rather than the more political notion 'citizenship'.

Notably, in relation to the link between social capital and the KDP, the LLI studies that identified the ‘governance gap’ and which were an influential forerunner to the KDP (noted above), were part of a broader multi-country study on social capital and the ideas of Robert Putnam. The LLI study had other specific findings that emphasised the potential within communities, the results of which can be seen as influencing the KDP and which effuse a certain fondness for Putnam’s incarnation of social capital (see chapter four). For example, one finding demonstrated that community-owned projects performed better than government or NGO projects, had greater levels of participation of the poor and women, in addition to more significant input from villagers. Another finding demonstrated the multi-purpose focus of long-lasting community organisations in comparison to temporary development project organisations. A further finding pointed to disconnection between community organising capacities and government and yet another illustrated the benefit to communities of ‘…strong leadership and somebody who could play a facilitating role to share information, invoke dispute resolution procedures, and help villagers find external assistance when that was needed.’ Given the demonstration of how the KDP works (above) it is not too difficult to see how resonance between such findings and the KDP. What is of concern here is the diagnosis of a particular problem via the LLI studies, with a particular technical cure, in the form of the KDP, that omits a larger political economy analysis of poverty.

It is important, however, to be careful not to illustrate the presence of social capital in the KDP as just another functional extension of ‘the Bank’s work’ – this would be much too convenient an analysis. Indeed, the relationship between social capital, the KDP and the Bank needs to be characterised in a more nuanced fashion, which reveals much about the Bank’s internal politics. For Guggenheim, social capital (the term and concept) was particularly useful for people working in social development

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752 Part of this, of course, could be associated with the need to be politically savvy within the Bank, when social development staff have to describe a particular project in an official sense. However, the fact that this is required is in itself important, as the section on social capital below demonstrates.

753 Guggenheim notes this in his ‘Crises and Contradictions’ paper: ‘…the LLI research program was part of a three-country study to see if the ideas on social capital published in Robert Putnam’s book on Democracy in Italy made sense in the context of other developing countries. Was “social capital” a useful way to think about building democratic institutions from the bottom up?’, Guggenheim, ‘Crises and Contradictions’, 15.

754 Guggenheim, ‘Crises and Contradictions’, 17.

within the Bank to talk to the Bank’s power group – the economists – despite his own personal scepticism vis-à-vis the concept.\textsuperscript{756} Here, in an environment dominated by a particular power group within the Bank, a particular language served the social development unit personnel to realise certain goals. Interestingly, this use of social capital marries up with John Harriss’ discussion of it as a ‘Trojan horse’, where it is seen by some as a tool to change the development agenda from ‘the inside’.\textsuperscript{757} However, in a further interrogation of the KDP below, the very issue of what has been changed, in part by using this ‘Trojan Horse’ approach, is addressed further. What is clear is that the KDP sits quite comfortably within SIN, with the project actually demonstrating a unique, and temporarily successful, way to deliver it.

\textit{Radically unorthodox or radically SIN?}

Talking to several people within the SDU of the Bank in Indonesia, one definitely gets the impression that there is a push to create change within. But what we must ask ourselves here is what really is so different about the KDP in relation to the reproduction of neoliberalism? In essence, the answer here relates to policy delivery, which brings us back to SIN’s systemic concern for implementation. While the governance element within the KDP exhibits a broader focus (mostly outside of official documents) upon citizenship than typical World Bank usage, Harriss points out that such a conception remains compatible with the World Bank’s broader project, especially within the discourse of social capital and its attendant language of community development, empowerment and participation. It is worth quoting Harriss’ summation of this relationship at length because it really does pertain to the question of how the KDP is different as a governance project:

\begin{quote}
The point, for the purposes of the present discussion, is that current thinking about development is greatly concerned with ‘good government’, which is held to mean government that is transparent and accountable, working within a clear and consistent legal framework, such as will provide the conditions for effective and efficient markets. It is in this context that
\end{quote}

\textsuperscript{756} Interview with Scott Guggenheim; Guggenheim notes in his \textit{Crises and Contradictions} paper: ‘It provided a much needed bridge to the Bank’s economists in a way that the traditional vocabulary of social structure, social organization and the like didn’t.’ Guggenheim, ‘Crises and Contradictions’, 16; Another staffer of the Bank’s social development unit, noted to me that ‘social capital’ is not used on a day to day basis – rather it is used at a higher level as a discourse to connect with economic language. Meeting with two World Bank SDU staff.

the ideas about ‘civil society’, ‘decentralization’, ‘participation’ and latterly – in some senses the queen of them all, because it embraces them all – ‘social capital’, have acquired such currency. The basic idea is that through ‘participation’ in ‘voluntary local associations’ (which may be confused with ‘non-governmental organisations’) people are ‘empowered’ in ‘civil society’ (defined as the sphere of voluntary rather than ascriptive association, that lies outside the state and the family and kinship). A vibrant civil society, which implies the presence of a strong sense of civic and community responsibility among people, acts both as a vital check upon the activities and the agencies of the state, and as a kind of conduit between the people and the government. A strong civil society should contain the expansion of the state … and will make for ‘good government’ (that is, ‘democratic’, meaning responsive, accountable and transparent government). It is expected, too, that in the context of such a strong civil society people will be broadly supportive of the market-led orientation of economic policy (which respects their rights to make ‘choices’). …The whole set of ideas is pitched specifically against the old ‘top-down’ development, which is seen as having failed. It is an extension to the old ‘Washington consensus’ rather than a radical rethinking of it (‘post’ Washington consensus, perhaps, but not ‘past’). 758

If we adopt the ‘expanded’ governance framework (that is, even with the expanded focus upon citizenship) as a comfortable fit within neoliberalism, the KDP looks more like a poster child at the vanguard of SIN – rather than some radical anomaly within it.

This sentiment is further countenanced when looking at the foci upon supervision and monitoring built within the project, which seem an important element for generating a local-level form of transparent market discipline. There are both internal and external monitoring aspects to the KDP. The internal monitoring is based around a Management Information System, which is maintained by a national oversight team which compiles information on the KDP and reports on its progress. 759 Externally, the Indonesian association of independent journalists, Aliansi Jurnalis Independen (AJI), and independent provincial NGOs are contracted to monitor the KDP, with AJI the contract allowing journalists to visit KDP sites in order for them to write articles in

758 Harriss, 78-79.
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In this arrangement the journalists are seen as a conduit for airing the monitoring activities of NGOs and other civil society groups. Additionally, the many village meetings and the scrutiny of procurement of materials is also important in this regard.

This emphasis upon transparency and monitoring, and indeed the KDP’s governance focus more broadly, is clearly related to dealing with corruption. Corruption is of course a massive problem in Indonesia, both for the Bank and more generally. However, the question here is whether indeed it is possible to make sustainable changes to this fact with a mechanism like KDP, from the bottom-up, where massive economic and political asymmetries abound, to alter governance at such levels anyway. At another level, the approach mirrors the perspective that extends from the Bank’s analysis of problems being country specific, when indeed there are clearly significant issues at very different levels to that of ‘the local’. What seems to be facilitated by the KDP is market participation with a system of surveillance and monitoring to instil a technically ‘idyllic’ market where – returning to the language of NIE – transaction costs are low and information flows freely. However, the poverty reduction potential of this approach is more than open to doubt, as is its capacity to engender lasting change.

Nevertheless, the way in which KDP deals with corruption within the actual program itself is something Guggenheim is clearly keen to point out, especially in relation to how it measures up against other development projects previously run by the Bank. Elsewhere, he has been more abrupt, emphasising that design principles for

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760 In an interview with Rahadi Wiratama from LP3ES, an NGO based in Jakarta which is associated with KDP (they produce reports for the Ministry of Home Affairs that analyse KDP coverage in the media) this media monitoring is emphasised as vital. Wiratama offers that this system is successful and unique, although he offers that there are not enough journalists to do the work. This said, KDP is seen by Wiratama as ‘spectacular’ compared with other projects – being better for the poor. Interview with Rahadi T. Wiratama, LP3ES, Jakarta, Tuesday, December 13; See also, Guggenheim, ‘Crises and Contradictions’, 5.

761 World Bank, ‘Updated Project Information Document’, 20


763 In the updated project information document for KDP III, the language of the information theoretic approach to NIE is evident in one of the six problem areas highlighted that governance through the KDP is intended to deal with, ‘Information does not flow freely’. World Bank, ‘Updated Project Document - Third Kecamatan Development Program’, May 30, 2003, available online: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/07/13/000090341_20050713092136/Rendere\_PDF/329420P1079156.pdf, accessed January 30, 2006, 1. The politics of KDP within the Bank might explain this language as indicating political pragmatism rather than genuine belief in NIE principles on the part of the social development office people, as the final section on politics illustrates below.

764 Interview with Scott Guggenheim.
CDD (like KDP) projects need to be simple and enforcement needs to be strict. In this regard, Guggenheim states: ‘Tough love is the only way to stop a few small mistakes becoming pervasive damage to a large-scale development project.’\footnote{Scott Guggenheim, B-Span video presentation.} This isn’t just tough talk. Guggenheim offers the example of corruption in North Sumatra, where rather than ‘doing better next time’, the district was dropped altogether from the project.\footnote{Ibid.} Neoliberal conditionality, then, has moved down from the national level to the local.\footnote{Li, ‘Neo-liberal Strategies of Government through Community’, 11.} However, despite the monitoring and surveillance aspects of KDP, from the point of view of some villagers, corruption was undoubtedly still a problem in KDP and in particular facilitators were highlighted as potential perpetrators at the village level.\footnote{Meeting in with villagers in West Java.} However, compared to other projects it seems to have a much better reputation in terms of levels of corruption.\footnote{Interview with Tatag Wiranto; Meeting in with villagers in West Java.}

Beyond corruption, yet still related to it in several ways, what is sought through KDP is support for governance in relation to decentralisation, which the World Bank has championed for some time now.\footnote{Vedi Hadiz notes that the World Bank and other development organisations have invested lots of resources in decentralisation. Referring to a Bank published document, Hadiz quotes a figure for the number of completed Bank projects effectively supporting decentralisation (for the period between 1993 and 1997) of 12 percent. Vedi Hadiz, ‘Decentralization and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives’, \textit{Development and Change}, vol. 35, no. 4 (2004), 706.} Hadiz, like Harriss (above), has noted the relationship between decentralisation and the sort of ‘social development’ associated with KDP:

\begin{quote}
Significantly, ‘decentralisation’ has become, along with ‘civil society’, ‘social capital’ and ‘good governance’, an integral part of the contemporary neo-institutionalist lexicon, especially for those aspects which are intended to draw greater attention to ‘social’ development.\footnote{Hadiz, ‘Decentralization and Democracy in Indonesia’, 700.}
\end{quote}

KDP’s citizenship focus is important here and is part of a project that attempts to instil particular behavioural norms and demands to assist in filling the institutional vacuum left by the departure of the centralised New Order. When asked about KDP’s potential to influence citizenship and the subsequent possibilities for political change at higher levels, Guggenheim is keen to reveal that this is the project’s defining intent:

\footnotesize
\begin{tabular}{l}
\textsuperscript{765} Scott Guggenheim, B-Span video presentation. \\
\textsuperscript{766} Ibid. \\
\textsuperscript{767} Li, ‘Neo-liberal Strategies of Government through Community’, 11. \\
\textsuperscript{768} Meeting in with villagers in West Java. \\
\textsuperscript{769} Interview with Tatag Wiranto; Meeting in with villagers in West Java. \\
\textsuperscript{770} Vedi Hadiz notes that the World Bank and other development organisations have invested lots of resources in decentralisation. Referring to a Bank published document, Hadiz quotes a figure for the number of completed Bank projects effectively supporting decentralisation (for the period between 1993 and 1997) of 12 percent. Vedi Hadiz, ‘Decentralization and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives’, \textit{Development and Change}, vol. 35, no. 4 (2004), 706. \\
\textsuperscript{771} Hadiz, ‘Decentralization and Democracy in Indonesia’, 700. \\
\end{tabular}
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Well that’s the sort of guiding idea behind it right [influencing types of citizenship and facilitating political change]. It’s not that it can do it by itself, but in a big agricultural country, the standard model of political reform is very top-down: you get a constitution, then you get a parliament, then they start to roll out a series of regulations, eventually they get to the provinces and then somewhere down the line they hit the villages. …In…East Timor, Indonesia and Afghanistan, I think there’s absolutely no question that the bottom-up model is already influencing national politics. 772

In this respect, one of KDP’s key roles (the reader will recall from earlier) is to strengthen local government and community institutions, in post-New Order Indonesia.

Here, participation and empowerment – two important features of both KDP and SIN – are intended to play central roles. Participation here means more than it does in many Bank projects – with local-level participation being obviously high. Yet the following paragraphs on the KDP emphasise that, while the manner in which participation is used is different in the program, participation is still related back to embedding essentially SIN notions of governance:

In terms of program benefits, villagers report greater access to markets, schools, health facilities, clear supply and sanitation, and other economic opportunities.

There is also increasing evidence of improved local governance and community empowerment practices in many KDP areas. KDP has had a multiplier effect on approaches to community-level development. For example, villages are holding local government more accountable and demanding greater transparency within other government-sponsored programs. Villagers are transferring KDP procedures and financial management skills to other development projects. All these changes signal incremental progress in empowering communities and improving the interest and role of local government in responding to community needs. 773

Of course, corruption is bad and improved schooling, health facilities and sanitation are all highly desirable, as is cheaper infrastructure of a decent quality. But as a governance/decentralisation project, the KDP is an expensive (in terms of Indonesian

772 Interview with Scott Guggenheim.
A SINFUL APPROACH TO POVERTY REDUCTION?

debt) micro-focussed project (with macro objectives) that has everybody watching everybody within the dubious poverty alleviation mechanism of the neoliberal market.

Importantly, questions also remain over the KDP’s sustainability and impact – surely a key concern for a program that seeks to reduce poverty through building particular institutions. Hadiz, for example, has portrayed a fairly bleak picture of Indonesian decentralisation that draws into question the capacities of a program like the KDP and SIN, more generally:

Decentralization and democratization in Indonesia have been characterized by the emergence of new patterns of highly diffuse and decentralized corruption, rule by predatory local officials, the rise of money politics and the consolidation of political gangsterism. In the Indonesian context, the main question to ask, therefore, is who has benefited most from this decentralization and this type of democratic system?

It is not difficult to identify the beneficiaries. By and large, they are individuals and groups who had earlier functioned as the local operators and apparatchik of the previous New Order – small to medium-size, but politically well-connected business people with big ambitions, as well as an array of the regime’s former henchmen and enforcers.774

Thus, while the KDP has big ambitions in the area of governance it faces formidable obstacles, variations of which face any institution building reform project. While the KDP’s governance focus goes beyond the version of governance typically associated with the Bank, especially its notion of citizenship, the important point is that the program never breeches the confines of SIN. In short, the KDP is a large-scale project that attempts to reduce poverty by instilling market-compatible norms and institutional structures by by-passing government, in environments of often chronic inequality, without addressing many of the important economic asymmetries that contribute to Indonesia’s situation.

774 Hadiz, ‘Decentralization and Democracy in Indonesia’, 711.
The politics of KDP’s development and form

Not surprisingly, a project like KDP has a significant amount of politics associated with it both within the Bank (internal) and outside of it (external). Detailing the politics of KDP is important here for several reasons. Firstly, it demonstrates the limiting and facilitating factors that make a project like KDP possible within the Bank. The politics within the Bank are important and it is precisely this sort of detail that often goes missing in analyses of the organisation’s work – detail which reveals exactly why particular projects come about. Here, there are both elements that constrain and facilitate the respective agendas and ideas of individuals and groups within the Bank. The Bank’s SDU in Indonesia (and elsewhere) has pushed much of what is in KDP, in a highly political process where the outcome has been a compromise that concludes in a radical approach to delivering SIN.

Secondly, with a project as large as KDP, with such massive ambitions and potential implications attached to it, there are also external political factors (that is, those outside the Bank) of significance, right down to the local level. It is important to detail these, because many critiques of the Bank actually criticise the Bank what for what it supposedly does when it is often more prudent to analyse what it, or elements within it, actually attempt to do. Indeed, all sorts of political relationships exist that mean the organisation and elements within it often don’t get their way in part or in full. We should recall here that the SIN of the PWC is in no small way seen in this thesis as attempting to rectify problems of implementation. However, no institutional project is immune from politics and the KDP is certainly no exception. Here, it is critical to understand those factors that make it possible or impossible to implement, maintain and sustain the impact of a project like the KDP.

It is perhaps best to begin this section by looking at the internal political story of KDP. Interestingly, much of this tale mirrors what was covered in chapter two (which looked at SIN’s ascendancy). Critical here is the illustration of the role of the social development elements within the Bank and their relationship to other groups (the economists and Wolfensohn for example). The KDP, in no small way, is associated with the ascendancy of this group and their promotion of particular themes that resonate throughout SIN (such as participation and partnership). Indeed, KDP is very much tied
However, the trail that leads to KDP goes back to certain broader machinations within the Bank which have undoubtedly influenced it also. In earlier chapters of the thesis, the themes that have been pushed by the Bank’s social development staff have been highlighted as important in contributing to the formation of the SIN. In relation to much of the work on social capital (not to mention empowerment, and participation and so on), ideas which permeate KDP, the Bank’s Social Development Network (SDN) has been an important locus of ideas and debates within the Bank.776 Crucially here, Wolfensohn was obviously drawn to the area of the SDN, promoting ideas associated with it, and in turn, ideas behind the KDP. As Guggenheim unambiguously notes:

I think the single biggest factor that was behind KDP in the Bank was Wolfensohn and the fact that he was pushing very much all this language about participation and grass roots development – but no one really knew, very well, how you go about doing those things. He had made a number of openings which I think triggered a lot of what ended up becoming KDP. The first of these was [that] he was pretty interested in this notion of what can social development contribute to development overall and he commissioned this presidential taskforce on new entry points… . The most important part of that is it sends a signal to everyone else in the Bank that he wants to see more of this kind of thing.777

Guggenheim also highlights the work Wolfensohn did towards working with NGOs and the staff ‘grassroots emersion’ programs (where many staff without field experience were sent into the field) as important in sending signals that nobody within the Bank could ignore. These, in turn, are seen as important for helping to ‘set the stage’ for KDP:

775In this respect a Senior Poverty Reduction Specialist in the Jakarta office, places the size and heavy influence of the SDU in Indonesia down to Guggenheim. Interview with Stefan Nachuk; Guggenheim is an anthropologist by trade who came through the safeguards section of the Bank. He was also part of Wolfensohn’s taskforce on Social Development, which operated early on in Wolfensohn’s incumbency. Interview with Scott Guggenheim; Gloria Davis, ‘A History of the Social Development Network in the World Bank, 1973-2002’, paper no. 56 (March 2004), available online: http://siteresources.worldbank.org/INTRANETSOCIALDEVELOPMENT/214578-1111735201184/20502396/History+of+SD+in+WB.pdf, accessed January 30, 2006, 13.

776 See chapter two.

777 Interview with Scott Guggenheim.
It was the same with the work he did with NGOs, even though they eventually turned against him. In the beginning it was a signal that everybody had to deal with. A third example of that is the grassroots emersion programs, which is hysterical because you see what hypocrites these Bank economists were, saying what a life-changing experience it was after 11 hours [in the field] – nevertheless it was sending a signal and the signals were all in the same direction – the Bank’s gone too far towards abstract analysis, top-down planning. He wanted to see much more bottom-up. So he set the stage.\textsuperscript{778}

Additionally, in Indonesia, Guggenheim notes other factors that assisted KDP coming into being. Important in this regard, was that there was already a ‘cluster of people who were either sort of socially progressive or interested in grassroots participation (or knew how to make a project really function)’.\textsuperscript{779} For example, one particular person, who now works with the Ministry of Home Affairs on KDP and who was interviewed for this thesis, was part of this cluster and was involved in the Village Infrastructure Project (VIP), the technical aspects of which were to be part of KDP.\textsuperscript{780}

Crucially, though, these ‘internal’ political factors assisting KDP’s rise collided with external factors (outside the Bank) and the global political economy – especially the onset of the Asian crisis and the impact that this had upon the Bank’s projects in Indonesia and the country’s post-New Order transition:

What brought all this together was essentially two things. One was the Bank’s program here – because it was a big structural program – was very line agency based. So when the crisis hit every single project collapsed. Growth had been so sustained that the safety net system they had in the fifties had fallen apart and nobody knew how to put it back together again. So KDP initially had an opening because it had appeals to the Bank on the empowerment side and appeals to the government because they didn’t have too many choices. And ever since then I would say that the guiding framework for what happened in KDP is this notion of Indonesia’s transition.\textsuperscript{781}

\textsuperscript{778} Ibid.
\textsuperscript{779} Ibid.
\textsuperscript{780} Ibid.
\textsuperscript{781} Ibid.
KDP developed amidst crises (both in Indonesia and for neoliberalism more generally). As Guggenheim has pointed out in a paper, the timing of KDP was vital, explaining how it was possible to get the Bank to both move beyond financing highways and irrigation while getting the New Order regime to borrow money ‘…to bypass its own bureaucracy, assign paralegals to rural villages, and pay independent journalists to publish newspaper stories on development corruption’. The World Bank had worked closely with the Suharto government and had a record that was the target of NGO’s – especially in regard to the transmigration programmes and a dam that displaced over 35,000 villagers. Further to this, the Bank’s analysis, monitoring and reporting on Indonesia was seen wanting when the crisis hit, revealing ‘the fragility and corruption of the financial system’.

A clarifying note should be made here on the KDP’s receptivity within the Bank, which hasn’t been all positive. As Victor Bottini (Community Development Specialist in the SDU) noted to me, some sectors within the Bank – in particular the rural development sector within Washington – are less receptive to the program than others. For him this was partly a ‘turf war’ and partly a concern over ‘backstop/technical issues’ over what the problems were and how they should be tackled. Bottini also mentioned that the rural development people in Washington had some concerns over how KDP functioned.

Furthermore, when quizzed about the KDP in relation to the rest of the projects in the Bank’s portfolio and how the differences between these get managed, Guggenheim effuses the opinion that there is still a lack of uptake upon institutional factors by Bank economists:

No – it has to [be managed] – it’s a constant problem. The Bank’s power groups – which are essentially the macro-economists – they could get rid of the whole ‘real sector’ and just do budget reports. They would love that. …The problem is that the theory they manage essentially explains away institutional

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782 Crises of legitimacy (associated with neoliberalism and the Bank) have been an underlying theme of this thesis and Guggenheim has made the same point in his work on the history and politics associated with the KDP. See Guggenheim, ‘Crises and Contradictions’, 11, cited previously.


784 Ibid, 11.

785 Ibid, 12; Importantly also, the organisation was accused by ‘civil society groups and political leaders’ for ‘[aiding and abetting] the New Order government in looting the country and papering over the facts’. Ibid, 13.

786 Interview with Victor Bottini.

787 Ibid.

788 Ibid.
variables and it also doesn’t explain how they happen – so it becomes very clearly illogical. …A lot of the institutional and policy reforms that the macro guys want – they come from experience in macro-finance [where] in finance five guys can control the money supply. That’s not true with how local governments function. So a basic policy strategy that depends on, legislation, new regulations and that’s it is in pretty much direct conflict with something that says it has to be much more direct engagement with why people behave the way they do. And so we have to deal with that constantly.789

Nevertheless, the current Country Director for the Bank in Indonesia, Andrew Steer, the previous country director, the vice-president and Wolfensohn were all very supportive of KDP, with the Vice-President and the Country Director almost being ‘too supportive’ – mentioning the project all the time.790 Further to this, specific bilateral donors (such as DfID) have developed a significant amount of trust of the SDU which has allowed the Unit extra funding and autonomy.791

The operation of KDP has not been immune from external political factors – which should be unsurprising given its structure and its institutionally ambitious objectives. Setting it up, Guggenheim points out that there was no real opposition at the national level within government.792 The real opposition for KDP was at the middle level of government – where KDP was really going to shake things up:

At the middle level there was a tremendous amount of opposition by kabupaten [regency or district level]governments who felt that it was bypassing them, and camats [head of the kecamatan] who thought the same thing. Kabupaten, because it bypassed them financially and camats because it bypassed them organisationally.793

Additional to the mid-level impediments to KDP, politically there were issues at the national level within the Department of Public Works, which wanted everything to go through them, although this wasn’t a huge issue because of links between BAPPENAS and the Department.794 Bottini, adds to this that there was resistance from local

789 Interview with Scott Guggenheim.
790 Ibid.
791 Meeting with two World Bank SDU staff.
792 Interview with Scott Guggenheim.
793 Ibid.
794 Ibid. Guggenheim is also points out that the amounts of money involved were too small to generate significant resistance to KDP from the Department.
government too, which is not present anymore.\textsuperscript{795} For him, presently the biggest problems faced by KDP are in Jakarta with mid-level bureaucrats who dislike the consultants and facilitators involved in the program. He sees the sentiment towards KDP at ministerial level as supportive, yet offers that the government suffers from both a lack of capacity (even though the middle-level bureaucrats would like power) and is ‘gun shy’ after decentralisation.\textsuperscript{796}

Over time though, resistance to KDP has shifted, with resistance from the middle levels of government outside of Jakarta now turning into support – especially financial support. Interestingly, as it has scaled up quickly (taking many by surprise) it has drawn resistance from sections within BAPPENAS because of what Guggenheim calls a ‘nationalist backlash going on that’s tied to a reaction against a previous deputy director of BAPPENAS, Tatag Wiranto, who was heavily associated with the KDP’s development and earlier projects.\textsuperscript{797} Wiranto himself is critical of the Ministry of Home Affairs in relation to KDP suggesting that there are problems with its management – especially the fact that the people in important positions within the ministry change all the time.\textsuperscript{798} In particular, while resistance from the Department of Public Works (mentioned above) has declined, new resistance from sections of the Ministry of Home Affairs (the government agency responsible for KDP) has emerged towards KDP because of ministry’s desire for everything associated with KDP go through a single budgetary transfer system.\textsuperscript{799}

One final note should be made about NGOs and KDP. What is interesting here is that generally the KDP receives little flak from NGOs that might normally be antagonistic to a World Bank project – especially a large one. For Guggenheim, NGOs essentially are split between those that are

generally favourable and…the fire-breather NGOs who can never support any foreign project [yet], [who] think that it’s probably less bad than most of them but wildly overrated. But [these NGOs think that] if you’re going to oppose [a project] this is not one you’re going to oppose. We have such garbage coming

\textsuperscript{795} Interview with Victor Bottini.
\textsuperscript{796} Ibid.
\textsuperscript{797} Interview with Scott Guggenheim. Guggenheim continues: ‘So all projects that are seen as coming from Tatag and his sort of planning approach are being cut by the group that’s in power now.’ Interview with Scott Guggenheim.
\textsuperscript{798} Interview with Tatag Wiranto.
\textsuperscript{799} Interview with Scott Guggenheim.
in on big dams and highways – picking on a community project [isn’t a high priority]. 800

Clearly, figures within the Indonesian development bureaucracy played important roles in both KDP and the projects that fed into it. 801 Bank staff also noted to me that Guggenheim has had good connections with people within the Indonesian development bureaucracy, implying KDP and the SDU had significantly benefited from this. 802 Interestingly enough, though, while one Indonesian bureaucrat, Gunawan Sumodiningrat (who emphasised his conceptual involvement in the projects that fed into KDP and KDP itself), was very positive about KDP – he singled out the Bank for being too interventionist – especially in regard to ‘technical assistance’. In relation to one Bank official in particular (interviewed and quoted in this chapter), Sumodiningrat noted that this individual led the Bank to intervene too much with local consultants (disempowering them). Sumodiningrat also offered that members of the Ministry of Home Affairs ‘followed’ along with this same person. 803 Wiranto also noted some intervention on the part of the Bank, in relation to consultants that complicated the project, although his emphasis was more upon the ‘bureaucratic’ complication that the Bank added. 804

What is particularly evident in the analysis of KDP’s development and form is that a unique political environment within the Bank and outside it provided the opportunity for the project to get off the ground and for it to be implemented. This explains how a rather radical looking project was possible within the halls of orthodoxy (within the Bank) and within Indonesia. However, we must be certain as to what is so radical about KDP. Crucially, KDP is careful not to breach the walls of orthodoxy. Indeed, it can be seen as a method by which, at least in the short-term and when conditions are conducive, to achieve the very implementation goals that SIN is so attached to.

800 Interview with Scott Guggenheim.
801 Interview with Tatag Wiranto; Interview with Gunawan Sumodiningrat.
802 Bank staffers from the SDU emphasised Guggenheim’s relationships with people in BAPPENAS as important. Meeting with two World Bank SDU staff.
803 Interview with Gunawan Sumodiningrat.
804 Interview with Tatag Wiranto.
Conclusion

As a key ‘poverty reduction’ project for the Bank, KDP fundamentally attempts to build and reform institutions, \textit{en masse}, around government, in a way that exhibits strong market-focused tendencies – yet without dealing with broader structural issues relating to poverty. What is particularly radical about it is its approach to reform delivery. Here, the politics of KDP, internal and external, explain how crises within and without, along with the juncture of particular theoretical perspectives (especially that of social capital) and the influence of specific individuals (such as Wolfensohn, Guggenheim and others) collided to make the program possible.

Importantly, while KDP’s impact upon poverty reduction is still open to question, it does seem to be having real impacts on modes of behaviour, at least in the short-term. Whether these can be sustained and turned into substantive reductions in poverty is, however, another matter. This raises issues that not only relate to the logic that associates improvements of governance with reductions in poverty but with the very longevity of such governance reforms. Interestingly, on the question of whether the efforts oriented towards governance associated with the KDP can be overturned, Guggenheim is more than clear:

No I think all of these can be eroded. Again it comes back to your political economy. Can a strong elite erode even a strong KDP – yeah, well actually they can. They can erode it – this happens everywhere – communities that have been spending three hundred years together are suddenly at each other’s throats. So why wouldn’t something that you learnt from KDP be susceptible to that too.\footnote{805 Interview with Scott Guggenheim.}

What is evident though is that KDP in essence attempts to facilitate, albeit in a very inclusive manner, market participation of the poor while implementing a SIN-compatible governance agenda. To this end, KDP could be an effective element – given its short-term capacity to be implemented – in securing the Bank’s proletarianisation project rather than facilitating the poor ascend from poverty. One possible outcome of KDP might just be that it ends up creating low-level, production-focused hamlets servicing the needs of domestic and foreign capital, with little prospect of reducing poverty substantively, if at all. This is not to say that this is what the KDP’s architects consciously intended – people like Guggenheim and others clearly have genuine social

\footnote{805 Interview with Scott Guggenheim.}
justice concerns. However, the problem is that the KDP has to fit within the dominant paradigm of SIN – a paradigm that has yet to prove itself adept at poverty reduction.

This brings us back to the SIN of the PWC more generally and what distinguishes it as a new form of neoliberalism. Crucially, what is different about SIN is its approach to delivering its reform set. That different types of delivery devices and incarnations of political technology within SIN are possible is conditioned by political factors at various levels, as the analysis above makes clear. However, the reform content delivered by these devices and technologies remains eerily homogenised in line with SIN constraints. While particular project architects, such as Guggenheim, may have broader conceptions than the Bank of what governance entails, this doesn’t shape a project anywhere nearly as strongly as the need to adhere to the broader SIN framework. Essential in this regard is the need of satisfying the Bank’s ‘power group’ (the economists) with the adoption of a particular language (that associated with social capital) and a project that satisfies important SIN fundamentals. Thus, the very limits of SIN are apparent. Indeed, this begs questions about the capacity for generating change from within such an arrangement. While change to delivery is evident, change to the reform set being delivered seems nigh on impossible while SIN is ascendant.
Conclusion

On March 31, 2005, the World Bank’s Board of Executive Directors unanimously endorsed the former US Deputy Defense Secretary, Paul Wolfowitz, as President of the World Bank. The very mention that Wolfowitz, a key architect of the Iraq War, was to be nominated by George W. Bush for the Bank presidency raised the hackles of many, both within and outside the Bank. The nomination and subsequent appointment of Wolfowitz resonated somewhat with the earlier appointment of former US Defense Secretary, Robert McNamara, a Bank president who also harboured a hawkish past. However, the Bank that Wolfowitz took over in mid-2005 had changed significantly since McNamara’s time. When McNamara left the Bank, neoliberalism had yet to truly spread its wings within development policy. By Wolfowitz’s arrival, two and a half decades later, neoliberalism’s hegemony over the Bank was obvious. Further to this, neoliberalism’s form – especially as it related to development policy – throughout the 1980s and 1990s had remained far from static. Indeed, it had shifted substantively.

Crucial in generating this shift was pressure arising from neoliberalism’s social impacts on the one hand and the existing means for politically managing this to maintain the legitimacy of market-led solutions to development problems. As we saw in chapter two, the early application of neoliberalism in the 1980s faced significant problems – both in terms of implementation and outcome. In the 1990s, neoliberalism encountered several massive problems in practice and dilemmas of explanation, especially in relation to the Russian transformation, the Asian ‘miracle’ and its subsequent collapse. In total, these and other problems generated a crisis of legitimacy for market-led development to which responses from within the walls of neoliberalism were both produced and contested. Within the Bank itself, problems associated with structural adjustment, the impacts of large-scale infrastructure projects and issues relating to implementation were increasingly addressed with an expanding focus upon


807 Wolfowitz resigned in June 2007 amidst significant controversy over his role in the transfer of his partner, Shaha Riza, from the Bank to the US State Department. Wolfowitz was replaced as Bank President by former US Trade Representative Robert Zoellick, a Bush Administration official with a reputation as a tough defender of US interests. While Zoellick’s appointment may signal the potential for a return to a more austere neoliberal orientation for the organisation, any radical presidential reform agenda would surely be conditioned by similar forces to those that affected Wolfowitz’s tenure. Peter Goodman, ‘Bush to Pick Zoellick for World Bank’, The Washington Post, Wednesday, May 30, 2007, A01; Peter Goodman, ‘Ending Battle, Wolfowitz Resigns from World Bank’, The Washington Post, Friday, May 18, 2007, A01.
CONCLUSION

the role of institutions and specific methods and processes to assist with embedding Bank prescriptions. Here, the incorporation of foci such as participation and partnership, stemming from within the social development section of the Bank, were notable beacons, signalling operational change. In particular, during James Wolfensohn’s tenure, significant organisational shifts occurred that, at least on the surface, seemed to signal a move away from the Washington consensus and structural adjustment. With the arrival of Stiglitz at the Bank, this push appeared even more dramatic, with battles within neoliberalism clearly apparent.

It is however essential that we understand the precise policy shifts that have occurred and their place within a broader political project. Crucially, that project includes new political technologies that are expressly used to alter notions of political participation and, indeed, citizenship in an attempt to embed a new form of neoliberal state. In essence, this project attempts to narrowly channel political participation in both the development process and, indeed, competition over the particular form that the state takes, towards the greater task of subjecting society to the disciplines of the market. In order to understand this attempt to transform the form and rationale of political rule an adequate framework is needed to scrutinise the methods and impact of the project, or more specifically, to comprehend the PWC in practice.

While protagonists such as Stiglitz have advocated a particular conception of the PWC and critics have in turn tackled it, neither assist us sufficiently in understanding the PWC as a fundamentally political project that attempts to change the very politics associated with the state’s reconstitution. To this end, it is critical that our analysis shifts from a technocratic assessment of institutional policy prescriptions to comprehend the transformation of politics and, specifically, citizenship so deeply intertwined with the implementation of PWC’s prescriptions. Indeed, what has been particularly neglected in critical analyses of the PWC has been the application of new approaches to transforming both the state and society in a market-compatible image. In sharp contrast with the technocratic evaluations of policy success or failure from both custodians and critics of the PWC, the case has been made that the PWC constitutes the promotion of a new form of neoliberalism – SIN – which essentially applies new methods towards state transformation, in the interest of submitting states, societies and individuals to the disciplining dictates (following Gill) of the liberal market. To this end, SIN is not so much about critically revisiting the core assumptions of neoliberal development policy

808 See chapter one.
CONCLUSION

as it is about new methods to *embed* market-based societies, based around new institutional prescriptions which seek to transform the state and that both embody and attempt to propagate liberal market ideology.

Indeed, and this is a vital point, the ideological aspects of SIN may well outlive and outshine the World Bank’s immediate attempts at structural reform. For example, while the notions of participation and partnership embodied within the Bank’s work face certain impediments in embedding structural reforms, they nevertheless play an important role in enmeshing and normalising new modes of governance that seek to contain political conflict and build consensus around the market project. Here, participatory processes are subordinated to the hierarchically dominant task of implementing market discipline, involving a very specific conceptualisation of politics. Further to this, SIN’s ideological impact is evident in its increasing influence upon policy makers (both in the global north and south), which seems somewhat autonomous of its actual implementation travails. Notable in this regard is the seemingly ever-ascending influence of the good governance discourse, the incidence of market extension projects (such as public-private partnerships), and the market contextualising of social relationships (through the language of social capital), health and education (human capital). Here, SIN has obviously played a significant role in shaping the very terrain over which political contestation is fought and the boundaries of that battle. Put another way, SIN has been influential in significantly narrowing the ideational spectrum, limiting possible policy options and the political processes associated with them.

Structurally, SIN proponents allocate the state a central role. Crucially, SIN is explicitly concerned with establishing a liberal-market compatible state in the interest of facilitating economic efficiency. From this perspective the state constitutes a bundle of institutions that should serve the market by providing incentive structures to market participants which, following NIE, lower transaction costs and reduce information asymmetries. However, this reconceptualisation of the state and its attempted application is a highly political project. As was made evident in chapter three, the general characterisation of the relationship between institutions and market efficiency that is associated with NIE undervalues both the politics of markets and other institutions. This said, the Bank’s application of SIN, and in particular its political, technologies, demonstrates an acute appreciation of the political nature of institutions (both the structures that the Bank intends to embed and those which it confronts).
However, following social conflict theory, because institutions embody struggles between societal forces differentially affected by liberal market structures, the political exercise attempted through SIN is not without its problems. SIN’s political technologies are specifically designed to manage the tensions between societal and state forces – which include NGOs, domestic and transnational capitalists, government departments and local politicians – and neoliberalism. Yet, these diverse interests, which are regularly not in harmony with one another, are often not easily reconciled with SIN’s broader task. While the attempt by the Bank to engage ‘civil society’ is an indicator that the organisation is actually acutely aware of the political nature of reform, the often diverging interests noted above mean that this engagement has definite limits in aiding with the implementation of neoliberal reform and it remains to be seen just how successful the Bank’s new political technologies are at both containing and reconciling these over time. This suggests significant ongoing issues of legitimacy for neoliberalism – even in its most recent form. While SIN’s various delivery devices and political technologies attempt to deal with some of these implementation issues, their narrowly functional concern with implementation of SIN’s market-focused tenets, which generate their own tensions, clearly reveals their respective limitations.

In chapter six, the evident implementation issues bring into question the capacity for implementing NIE assumptions and the issue of public support for the process of market extension. The case of the privatisation of Manila’s water services, in which the Bank’s IFC played a leading technical assistance role, demonstrated the manner in which big interests and neoliberal ideology coalesced to make the undertaking of reform possible. Big domestic and international capital came together, assisted by government (foreign and domestic) to push for privatisation of the MWSS, in an environment where the Philippine Government was already committed to neoliberalism. While this meant that the process went forward, the manner in which it unfolded illustrated the way that particular interests make SIN reform extremely difficult to implement in its ideal form. Rather than generating big efficiency gains for the public, massive problems with water provision persisted and the state actually had to step in and pick up the pieces of one concession. Yet, despite these technical failures in the Bank’s project, the delivery device of ‘technical assistance’ constituted an effective element in realising institutional transformation and the concomitant shift in political power associated with the commodification of utilities.
CONCLUSION

In chapter seven we saw how participation and partnership, as political technologies, were incorporated by the Bank into the development of the CAS for the Philippines and its implementation. What was clear was that these political technologies were to be used for building consensus around SIN policies. This use of participation and partnership illustrates that the Bank understands that reform is a political exercise. That particular groups – especially those representing class-based interests, such as labour and the poor – often chose to exclude themselves from the Bank’s attempts at ‘participatory’ work does, however, indicate the limits of such technologies. Indeed, reconciling the divergent interests of the Bank and its prescriptions with many of these groups seems simply impossible. Yet, this runs both ways, with the Bank demonstrating an ability to attract some support for its project, where interests were congenial or perceived as such, in the Philippine setting. The crucial point here is that, while as political technologies designed to embed the new basics of SIN participation and partnership might have limited success in addressing poverty (which the Bank is mandated to do), they are significant attempts at narrowing political contestation over neoliberalism. In short, participation and partnership attempt to orientate the process of state transformation, the key objective of SIN, away from contestation towards consensus, specifically around market foci.

Finally, the delivery device of the KDP (covered in chapter eight) included an attempt to redefine citizenship in a liberal market-compatible way through notions of ‘community empowerment’. Importantly, in some contrast to the reform impediments faced by other Bank projects, the KDP has fostered new patterns of political participation that eschew broader scrutiny of the power relations of the market and which are confined to seemingly technocratic refinements related to program effectiveness. This demonstrates the fundamental argument of this thesis that the primary purpose of the PWC’s programs is political: fostering market norms through new delivery devices and political technologies. Importantly, though, we should be clear that the political sustainability of the shift in norms that the program has engendered is open to significant challenge – a point even conceded by the program’s architect. Furthermore, and related, the program’s connection with poverty reduction needs to be looked at over time. Given the KDP’s debt-based structure that works within the confines of SIN, the program may well just be another element that further entrenching existing economic asymmetries. This has obvious potential legitimacy
implications of the kind that played such a critical role in the rise of the KDP, and indeed SIN more generally.

So where does this leave us with SIN and the World Bank? The thesis suggests that SIN’s capacity to realise state transformation is limited, though far from inconsequential. Furthermore, where it is implemented its capacity to substantively reduce poverty is highly questionable. Indeed, it harbours the distinct possibility of furthering the proletarianisation of the world’s poor through a market-led notion of empowerment. In this approach the individual is still supposed to take responsibility for his or her empowerment, aided by a state that is supposed to present the institutional incentives necessary to facilitate an ideal-as-possible liberal market. As we have seen in the foregoing analysis there is much ambiguity over SIN’s potential. This predominately relates to the ability of organisations like the Bank to transform the state in an ‘ideal’ SIN form, and, when some transformation does occur, to clearly yield the results to which SIN is linked (such as poverty reduction). Yet, despite these issues, it is perhaps SIN’s ideological impact that may well constitute the key legacy of the Bank’s work, rather than its attempt at direct institutional change in an ideal socio-institutional neoliberal image. Indeed, SIN’s persistent dominance within development circles seems indicative of this.

Whether SIN evolves significantly further in relation to conflict, crisis and contradiction is yet to be seen. While Wolfowitz’s nomination was greeted with much scepticism, interestingly we haven’t seen a vast change in the adherence by the Bank to SIN. If anything, the negligible change at the Bank during Wolfowitz’s brief period as President is indicative of SIN’s hegemony. However, the very same pressures of legitimacy, crisis and conflict that propelled SIN into such a position within development policy could bring this into question, requiring the legitimising efforts of neoliberals to continue to alter and/or embellish SIN’s form.

**Further applications for the framework: The World Bank and beyond**

The thesis has demonstrated just how important a framework that looks deeply into the very politics of implementation is in understanding the PWC and what an organisation like the Bank does in practice. Crucially, this reveals much about the nature of what is different about the PWC compared to the Washington consensus and what has changed at the Bank. The framework – which draws in variously social conflict theory, new materialist and (to a lesser extent) neo-Gramscian approaches – also elucidates how
power is central to understanding the organisational and institutional form of PWC programs and the factors shaping the PWC’s political sustainability. Significant potential exists to apply the framework developed here to analyse other instances of SIN promoted by the Bank, other organisations and governments.

For instance, the World Bank’s Country Development Partnerships (CDPs) that it runs in Thailand could be explored as further evidence of the operation of SIN’s different delivery devices in particular political and economic contexts. Importantly, the CDPs, which are classed around specific SIN themes, are examples of a form of delivery device that may indeed become more prevalent in years to come. In the CDPs we see an interesting instance of a country turning towards the Bank for advice on policy without the inherent leverage that the Bank has in the lender/borrower relationship. The Bank’s monopoly on development knowledge allows it to attempt to maintain a presence in non-borrowing, so-called middle-income countries to extend its version of development. The CDPs can be understood as concrete examples of the Bank’s ability to adapt mechanisms to a particular country by sheer virtue of its capabilities and organisational position. Critically, despite the minimal leverage involved with the CDPs, these partnerships are exercises in politics ushered in under the guise of depoliticisation.


810 The CDP device was designed by the World Bank’s former Thailand country director, Jayasankar Shivakumar. In relation to the CDPs, Shivakumar is quoted as saying ‘Thailand is a unique client and we needed a unique instrument to serve our client’s needs…. Should macro or sectoral conditions change and external financing becomes an issue, the CDP could, at a later date, be used to provide rapid financing of the well identified and analyzed priorities in any of the four reform areas.’ Lotte Lund, ‘Thailand After the Crisis’, in Spectrum (Spring 2001), available online: http://siteresources.worldbank.org/SOCIALPROTECTION/214578-1096473261209/20846276/SpectrumSpring2001.pdf, accessed February 2, 2007, 12.


812 The CDPs are essentially supported by the Asia-Europe Meeting (ASEM) trust funds, and ‘…other World Bank-administered trust funds including the Institutional Development Fund (IDF), and Japan Policy and Human Resources Development Fund.’ External (non-Thai) ‘Partnership’ organisations
In terms of the application of the framework developed in the thesis to non-Bank work there are potentially many different areas where this could prove useful. The work of bilateral donor organisations and other multilateral organisations (such as the ADB) are obvious targets. However, there is no reason why the framework cannot also be applied to the attempted delivery of neoliberal policies in developed countries. Indeed, in this environment we see government embracing different sorts of devices for delivering neoliberal reform and drawing upon various technologies to attempt to embed it. In this way, the efforts and methods of some western governments to remodel elements of their own states could benefit from the application of the framework to illustrate the manner in which reform is attempted and why. The framework could also assist in an assessment of reform implementation and outcome in such situations. What is essential in this analysis is that the role of both interests and ideology – which have been at the centre of this thesis – are central.

involved in the CDPs include the International Labour Organization (ILO), the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), the Asian Development Bank (ADB), AusAID, USAID, the United Nations Development Programme (UNDP), and others. Each CDP has different compositions of Thai government agencies and external and internal partners associated with it.

The Asia-Europe Meeting is described on both the EU website and the World Bank website as an informal arrangement for dialogue and cooperation on political, economic and cultural issues relating to Europe and Asia. Its members are EU member states, the European Commission and thirteen Asian countries. The ASEM Trust Fund was established after the 1997 Asian Crisis after being decided upon at the London Summit of ASEM in April 1998. The fund was intended to provide finance for technical assistance, advice regarding the restructuring of the financial sector and attention to poverty and provides funding for many projects. The World Bank administers the ASEM Trust Fund. Interestingly, the process that approves submitted proposals ensures that the Bank retains macro-control of the direction of the initiative in two ways – both of which are tied to the CAS (covered in chapter four). Firstly, each initiative is reviewed, endorsed and prioritised to ensure that it is in line with the Bank’s CAS for that Country and the ASEM Country Strategy Note (CSN). Secondly, the CSN itself is designed to ‘...guide the ASEM TF’s [Trust Fund’s] assistance in the grant recipient countries within the over-all CAS framework’. See World Bank, ‘ASEM Trust Fund FAQs’, available online:
European Union, ‘The ASEM Process, Background’, available online:
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