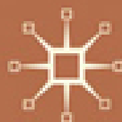
DELUSIONS OF DEVELOPMENT

THE WORLD BANK AND THE POST-WASHINGTON CONSENSUS IN SOUTHEAST ASIA

Toby Carroll



Delusions of Development

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Delusions of Development

The World Bank and the post-Washington Consensus in Southeast Asia

Toby Carroll
Research Fellow, Centre on Asia and Globalisation, National University of Singapore

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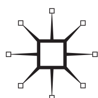

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Preface: Delusions of Development: the World Bank and the post-Washington Consensus in Southeast Asia

This book deals with a critical issue of our time – the World Bank's promotion of market-led development in the underdeveloped world and the impact that this promotion has upon citizenship. It looks at this subject through case studies drawn from one of the world's most diverse regions: Southeast Asia. In a world where roughly half the population lives on less than US$2 a day and where billions still lack access to the benefits of well-established advances in areas such as health, water and education, development as a process of material improvement has taken on a new urgency. Within this environment, the World Bank, as the lead global institution charged with tackling poverty, dominates the development agenda. In turn, many writers have looked at the reforms that the Bank promotes, especially at the organisational level (as opposed to the field level). However, what is lacking in the existing literature on the Bank is an integrated analysis of the Bank's approach that includes an understanding of how the Bank *delivers* its mix of pro-market reform together with an analysis of the reforms themselves. This means that most commentators on the Bank have critically missed the impact that the organisation's current methods and reforms actually have upon the relationship between state and citizen. It has also resulted in insufficient attention being given to the politics that the Bank's work encounters on the ground. Crucially, without addressing these elements it is impossible to assess what an organisation like the Bank actually does. This book fills the existing gap by focusing upon the various methods employed by the World Bank in the field to embed liberal market development.

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practice (using a combination of co-option, functionalist consensus building, opposition marginalisation and via maintaining a monopoly on what constitutes development 'knowledge') these elements actually do the reverse – they attempt to narrow and constrain politics in the interests of establishing market society (which itself is seen as requiring the insulation of particular institutions from politics in the interest of the market). *In short, the Bank promotes illiberal politics in its promotion of liberal economics*. While such technologies and delivery devices attempt to circumvent the political obstacles to reform, institutions (especially those of the state), as the targets of reform, remain politically constituted. In particular, they represent the outcomes of political battles between interests, and in particular class interests. Subsequently, despite the Bank's new methods for embedding market society, reform remains no technical exercise, often resulting in outcomes that are a long way from any neoliberal ideal and which regularly fail to achieve discernible positive development outcomes.

TOBY CARROLL
Singapore

Acknowledgements

This book was written in two main phases between 2004 and 2009. The bulk of the manuscript was drafted between 2004 and 2007 at the Asia Research Centre, Murdoch University. Additional writing and finalising of the text was done at the Centre on Asia and Globalisation at the National University of Singapore, in 2009. Many people in both places and beyond deserve acknowledgement for their time, patience and understanding in helping me produce the final work. My sincere apologies if I have missed anyone out.

The primary research for the manuscript was conducted over four separate fieldtrips: two trips that each took in Indonesia, Thailand and the Philippines during 2005; one to Washington, DC in 2008; one to Vietnam and Cambodia in 2009. Scores of interviewees whom I met with on these trips contributed important perspectives and offered suggestions that had a significant impact on the shape of my research. People from non-governmental organisations, activist groups, academia, communities, local and national government, the private sector, media, and of course the World Bank, gave up their time to answer questions and proffer information. While for various reasons they are not mentioned individually by name here, it is fair to say that without their collective response this work simply would not have been possible. In addition to those critical in the collection of 'primary data', I am also particularly appreciative of the numerous people who have provided me with important opportunities to present my work to academic and non-academic audiences over the last few years – experiences which have assisted me in sharpening my analysis. In this regard, I am very appreciative of Richard Robison's invitation to present evolving versions of chapter 6 at two conferences at the Institute for Social Studies in The Hague during 2006. Additionally, I am grateful to Diane Stone for organising a workshop on the World Bank in Singapore in 2006 (during the annual International Monetary Fund/World Bank meetings) where I was able to present an early version of chapter 8. Importantly also, Wil Hout, John Harriss and Paul Cammack deserve acknowledgement for their comments on the original text that formed the base structure for the book. Their recommendations assisted me greatly in preparing the final manuscript for Palgrave Macmillan.

My two 'homes' for writing up the project were also critical in the formation of ideas, not to mention the provision of palliative care when

it was required. The Asia Research Centre (ARC) has garnered an impressive reputation for its scholarly output; a reputation which transcends its size and geographical location in one of the world's most isolated major cities: Perth. For nearly twenty years, the Centre has been home to a range of innovative and research-active scholars, producing doctoral graduates who fill academic positions all over the world. Under the directorship of Garry Rodan, the ARC's achievements were impressive, especially given the situation in Australian higher education under John Howard's government. It was a place where hierarchy was not paramount, where postgraduates (who make up the bulk of the Centre's population) were encouraged by their mentors to significantly input into research agendas separate to their own, and where collegiality and genuine friendship existed at a level that encouraged envy. My four years at the Centre were characterised by the forging of lasting friendships and often intense conversations on all manner of topics, from the nature and evolution of neoliberalism to the respective career trajectories of our favourite musicians. It is not being dramatic to say that were it not for the ARC, and all that goes with it, this book would not have been possible. Specifically, I wish to thank my Centre friends, Carolin Liss, Sidney Adams, Miyume Tanji, Ian Wilson, Shahar Hameiri, David Flynn, Stuart Latter, Martin Gwyn-Fawke and Tamara Dent. Tamara, as the Centre's extremely capable 'fixer', deserves extra special thanks for her assistance in rectifying unexpected fieldwork dramas (such as impromptu flight reservation cancellations in the Philippines) and all manner of other complications.

My current residence, the Centre on Asia and Globalisation (CAG), exhibits much in common with the ARC – a reality for which I am extremely fortunate. Ann Florini, the CAG's director, has rapidly established an ambitious research agenda for the Centre that seeks to tackle global problems, while allowing research fellows significant latitude and intellectual autonomy in determining how such problems are engaged with – increasingly rare qualities in academia. Unlike many who display tentative and conditional support for intellectual pluralism, especially when driven by funding concerns, Ann is a committed pluralist, to which her support for all of us (including the odd Marxist) stands as testament. For their friendship and intellectual contributions, I also wish to thank my good friends at CAG who have been fantastic sources of support and inspiration during my time in Singapore. In particular, Tess del Rosario, Esther Yeoh, Tan Yeling, Ong Yanchun, Melissa Ong, Jasmin Kaur and Sandra Ng have been outstanding in their unswerving patience, company and loyalty. Ong Yanchun deserves special thanks

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Rather importantly, I must also convey my appreciation to the series editor, Mark Beeson, for his offer to be part of a series on Asia that holds out such exciting prospects. Indeed, this is probably one of the most interesting series on the region to emerge since the Asia Research Centre put itself on the map with series like the 'The New Rich in Asia' and 'Asian Capitalisms'. As series editor, Mark deserves credit for conceiving of a series based around an exciting theme at a critical moment in history. Palgrave Macmillan deserve acknowledgement for supporting the series and, in particular, I am indebted to Alexandra Webster and Liz Blackmore for their handling of my contribution to the series from proposal to publication.

I should perhaps also confess here that two of the case study chapters (6 and 8) clearly evolved from earlier publications. An earlier version of chapter 6 was published in the excellent 2009 Routledge volume, *Governance and the Depoliticisation of Development,* edited by Will Hout and Richard Robison. A quite different version of chapter 8 appeared in *Development and Change* (volume 40, number 3), under the title 'Social Development as Neoliberal Trojan Horse.' Both modified versions have been incorporated here with the kind permission of Routledge and Wiley-Blackwell respectively, for which I am grateful.

Three people, Kanishka Jayasuriya, Max Lane and Garry Rodan, deserve special mention for their assistance and commitment to the project that this book has been. Kanishka, who was a co-supervisor for my doctoral dissertation, provided much in the way of comments on the original text, ideas for consideration and secondary material for scrutiny. Kanishka is a true scholar in an age of often-thin intellectualism, and, as the reader will discover, his intellectual contributions on the regulatory state and market citizenship have left an indelible impression upon this book. For all his efforts I am extremely thankful. Max, who spent significant portions of time with me both at the ARC and in the Lion City, has been a very close confidant on all matters. In particular, I have valued our friendship and the many enjoyable discussions that we have had; discussions which I consider an important catalyst in the development of my thinking, and which have had a substantive impact upon my written work. Max's determination not only to understand the world around us but also to change it has been an edifying source of inspiration in a world replete with unconvincing and sometimes spurious 'change agents' and 'norm entrepreneurs'. Garry has been with this project longer than any other. He co-supervised my Honours dissertation

(my first foray into research on the World Bank) and was my main PhD supervisor. Garry is a supervisor and mentor like no other. His support is absolute and enduring and I owe him a great debt. His suggestions are always lucid and erudite, and free of any of the ambiguity that can make academic work unnecessarily frustrating. His indefatigability has been particularly stirring, encouraging me to pick myself up and persevere when other less productive options presented themselves as seemingly more attractive.

Finally, I would like to thank my parents, Barry and Loretta Carroll, for being a constant source of support, friendship and love.

Toby Carroll, Singapore

List of Abbreviations

AAA	Analytical and Advisory Activities/Assistance
ADB	Asian Development Bank
AJI	Alliance of Independent Journalists Indonesia (*Aliansi Jurnalis Independen*)
BAPPENAS	Indonesian National Development Agency (*Badan Perencanaan dan Pembangunan Nasional*)
BOT	Build–Operate–Transfer
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
CoP	Committee on Privatization
CPIA	Country Policy and Institutional Assessment
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPP	Cambodian People's Party
CPS	Country Partnership Strategy
CPV	Communist Party of Vietnam
CSO	Civil Society Organisation
DANIDA	Danish International Development Assistance
DfID	Department for International Development
DK	Democratic Kampuchea
DOF	Department of Finance
ESAF	Enhanced Structural Adjustment Facility
FDI	Foreign Direct Investment
GNI	Gross National Income
GOCC	Government-owned or -controlled Corporation
GOI	Government of Indonesia
HIPC	Highly Indebted Poor Countries
HPAE	High-Performing Asian Economies

IBRD	International Bank for Reconstruction and Development
ICIJ	International Consortium of Investigative Journalists
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
INT	Department of Institutional Integrity
IPO	Initial Public Offering
I-PRSP	Interim Poverty Reduction Strategy Paper
JBIC	Japan Bank for International Cooperation
JSA	Joint Staff Assessment
JSAN	Joint Staff Advisory Note
KDC	Knowledge Development Center
KDP	Kecamatan Development Program
KMU	Kilusang Mayo Uno (May First Movement)
LCF	League of Corporate Foundations
LGU	Local Government Unit
LLI	Local-Level Institution
MD	Millennium Development Goal
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
MTPDP	Medium-Term Philippine Development Program
MWCI	Manila Water Company Incorporated
MWSS	Metropolitan Water and Sewerage Service
MWSS-RO	Metropolitan Water and Sewerage Service Regulatory Office
NEDA	National Economic Development Authority
NGO	Non-governmental Organisation
NIE	New Institutional Economics
NSDP	National Strategic Development Plan
ODA	Official Development Assistance

OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Organisation for Economic Co-operation and Development-Development Assistance Committee
PHP	Philippine Pesos
PID	Project Information Document
PNPM	National Program for Community Engagement
PPP	Public–Private Partnership
PRA	Participatory Rural Appraisal
PRGF	Poverty Reduction Growth Facility
PRGO	Poverty Reduction and Growth Operation
PRK	People's Republic of Kampuchea
PRPK	People's Revolutionary Party of Kampuchea
PRRM	Philippine Rural Reconstruction Movement
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PWC	post-Washington Consensus
RRA	Rapid Rural Appraisal
SAP	Structural Adjustment Program
SDN	Social Development Network
SDU	Social Development Unit
SEDP	Social Economic Development Plan
SGR	Second Generation Reforms
SIN	Socio-institutional Neoliberalism
SOE	State-owned Enterprise
SwAP	Sector-wide Approach
TA	Technical Assistance
TUCP	Trade Union Congress of the Philippines
TWG	Technical Working Group
UATP	Umiray-Angat Transbasin Project
VF	Village Facilitator
WDR	World Development Report
WIDER	World Institute for Development Economics Research

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Introduction: Delusions of Development – the World Bank, the post-Washington Consensus and Politics in Southeast Asia

Encountering orthodox development practice and discourse today, two defining linguistic trends are immediately apparent. The first is the plethora of acronyms (PRSP, PRA, HIPC, CAS, SwAP, etc.) that litter the reports and websites of 'development' organisations such as the World Bank (not to mention the conversations of 'development' organisation staff). The second is a now well-established language rich with progressive-sounding words such as 'participation', 'partnership', 'ownership', 'harmonisation' and 'empowerment'. Such entries in the new development lexicon are regularly complemented by references to 'institution building', 'civil society' and 'social and human capital'. This is the language of a new way of 'doing development' – a hegemonic approach driven in no small way by the World Bank, and one rather ambitiously tasked with freeing the world of poverty.

This book presents an exploration of this new approach, or what one might call the real-existing post-Washington consensus (PWC), through case studies drawn from Southeast Asia. For those of us engaged with or in the work of the Bank, the notion of a real-existing PWC might seem almost self-evident, although this understanding will no doubt be conditioned by one's situation. A 'development' practitioner might say that it's a new approach that places much greater emphasis upon the multifaceted nature of development. Conversely, a critical academic might argue that it's largely old wine in new bottles, and an activist could well dismiss it as a smokescreen for the ongoing exploitation of the underdeveloped world. So, what is it?

This book makes the case that the PWC in practice constitutes a new form of neoliberal development governance that takes a qualitatively different approach to *embedding* and *maintaining* market society. In essence, the core purpose of the new development governance is to continue the

broad northern/western class project of extending the *competitive* market into social life in ways that circumvent the implementation impediments and crises of legitimacy that earlier phases of market-led development encountered (Cammack 2009: 2–3). This form of governance, described in the book as socio-institutional neoliberalism or SIN, has been increasingly refined and rolled out by the World Bank (with elements being variously embraced by bilateral development agencies, non-governmental organisations and governments alike) and complimented by the efforts of organisations such as the International Monetary Fund, and the Organisation for Economic Cooperation and Development.

Where the earlier Washington consensus sought to unleash market forces and unveil new accumulation opportunities for capital through simple policy prescriptions (such as privatisation, liberalisation and fiscal austerity), the Bank's SIN embodies a recognition that basic economic reform alone is insufficient and that establishing liberal markets is *fundamentally a political project*. Consequently, SIN comprises both a market reform agenda for state and society *and* newly minted methods and mechanisms with which to embed and sustain that agenda. Importantly, this attempt to reorganise the state and other socially embedded institutions and spaces (including the family and civil society) around the market is an exercise that implies a critical shift in the relationship between state and citizen.

Within SIN, the state is conceived as a bundle of institutions for the functional service of the competitive market (the most central of neoliberal institutions), and it is the 'well-managed' competitive market that is tasked with realising the Bank's self-proclaimed 'dream', inscribed on a wall in its Washington headquarters, of a world free of poverty. SIN stipulates very specific functions for the state to perform which relate to protecting against market failure and its repercussions. However, SIN grants no latitude to the state to substantively indulge in redistribution or service delivery (without competition) to offset social inequalities. Nor does it permit citizens the opportunity to demand non-market solutions to issues of distribution. Instead, SIN, treats national economies as ahistorical entities requiring technocratic assistance to 'best manage' apparently reconcilable interests – such as capital and labour – and create an ideal market complete with market citizens.

Notably though, the constitution of this utopian market environment does not just happen by itself and SIN's composite form owes much to this recognition. Subsequently, SIN incorporates an impressive array of political technologies and delivery devices for achieving the constitution of market society. The latter (delivery devices) are given concrete

form in new World Bank projects and programmes that operate at various political levels (national and local). The former (political technologies) are best represented by the novel methods of participation and partnership operationalised to mobilise constituencies of support for the implementation of the Bank's projects and programmes and the market norms and formal institutions promoted by them. All in all, SIN, constitutes a *political* attempt by the Bank to relegitimise market-led development, embed market society and institute market citizenship in the name of poverty reduction.

The book's argument and structure

In the pages below I offer a reconceptualisation of the post-Washington consensus, in part by analysing its deployment by the World Bank in one of the world's most diverse regions: Southeast Asia. In a world where roughly half the population lives on less than two dollars a day and where billions still lack access to the benefits of well-established advances in areas such as health, water and education, development as a process of material improvement has taken on a new urgency. Indeed, even before the full repercussions of the current global economic crisis had hit the underdeveloped world, the world's poor were facing the brunt of new mega-crises – crises of a globalised nature that include the fall-out associated with climate change and skyrocketing food prices, with the latter leading to World Bank President Robert Zoellick calling for a 'New Deal' on food (Carroll 2008: 7A). Within this environment, the World Bank as the lead global institution charged with tackling poverty dominates the development agenda. In turn, many writers have looked at the reforms that the Bank promotes, especially at the organisational level (as opposed to the field level). However, what has been lacking in the existing literature on the Bank is an integrated analysis of the Bank's approach that includes an understanding of how the Bank *delivers* its mix of pro-market reform together with an analysis of the reforms themselves. This has meant that most commentators on the Bank have critically missed the implications of the organisation's current methods and reforms for the relationship between state and citizen. It has also resulted in insufficient attention being given to the politics that the Bank's work encounters on the ground. Crucially, without addressing these elements it is impossible to assess what an organisation like the Bank actually does. This book fills the existing gap by focusing upon the various methods employed by the World Bank in the field to embed liberal market development.

The book asserts that the Bank, frustrated by the earlier politics of development, has used various political technologies (such as participatory approaches) and delivery devices (new programme and project instruments) in its attempt to establish market societies. These political technologies and delivery devices often appear to be about increasing participation and inclusion in policy making processes. However, in practice (using a combination of co-option, consensus building, opposition marginalisation and via maintaining a monopoly on what constitutes development 'knowledge') these elements actually do the reverse – they attempt to narrow and constrain politics in the interests of establishing market society (which itself is seen as requiring the insulation of particular institutions from politics in the interests of the market). *In short, the Bank promotes illiberal politics in its promotion of liberal economics*. While such technologies and delivery devices attempt to circumvent the political obstacles to reform, institutions (especially those of the state), as the targets of reform, remain politically constituted, representing the outcomes of political battles between interests, and in particular class interests. Subsequently, despite the Bank's new methods for embedding market society, reform remains no technical exercise, often resulting in outcomes that are a long way from any neoliberal ideal. More importantly, the Bank's efforts regularly fail to achieve discernible positive development outcomes and, indeed, often assist in achieving the reverse! While SIN is at its core an attempt to *relegitimise the World Bank's work and establish market society* (the Bank's core perfunctory prerequisite for poverty reduction), the book also makes the point that the Bank's project is a deeply contradictory undertaking that seeks to build fanciful institutions ('ideally regulated liberal markets') on a global scale, utilising mono-political 'participatory' methods designed to render reconcilable antagonistic social interests (such as labour and capital). It is also a project that, for reasons of legitimacy, is found to be rather hamstrung in many of the environments that many would think should be the Bank's 'bread and butter'.

The first four chapters of the book make a case for reconceptualising the post-Washington consensus and present a new analytical framework, based around SIN, for this purpose. They do this by detailing the different conceptualisations of the new development agenda and their limitations, the political and historical development of SIN, and SIN's formal constitutive elements. The four subsequent case study chapters demonstrate how SIN unfolds in the field, allowing us to see what SIN's different elements (its concentration upon institutions, participation, partnership etc.) mean in practice, beyond their articulation within the Bank's *World Development Reports* and the pronouncements of its senior

office holders. Importantly, the case studies also allow us to observe the politics that the Bank's approach generates and encounters.

Chapter 1 looks at the various competing conceptions of the new development agenda. The chapter argues that although some erudite work has been done defining and critiquing the post-Washington consensus, much of this has emphasised the PWC's prescriptive content rather than understanding the PWC as a political project. Subsequently, the chapter proposes a new way of understanding the new development agenda as a form of governance (SIN) that is both a combination of institutional/policy prescriptions and the means by which to deliver and embed those, an effort that at its roots seeks to reconstitute the relationship between state and citizen. The chapter also emphasises the importance of understanding how SIN unfolds in the field. This is important because it is in the field where we see the weighting accorded to many of SIN's elements and, crucially, the actual form taken by such elements. It is one thing to read about the World Bank's approach to participation and partnership in a *World Development Report* – quite another to see what these terms mean when they are impacted by pragmatic considerations of staff and the broader politics attending 'development' on the ground.

Chapter 2 details the ascendancy of SIN, placing it in historical and political perspective. This assists in explaining not only why SIN emerged in the first place but why it took on the very form that it has. In particular, the chapter makes clear the manner in which the Bank and market-led development more broadly were prone to problems in practice and explanatory difficulties that constituted a *crisis of legitimacy*. Conflict stemming from the operationalisation of the Washington consensus (in the former Soviet Bloc, Latin America and Africa, for example), not to mention fallout from large-scale multilateral-funded infrastructure projects (perhaps most notably dams) meant that by 1994, when the Bank was preparing for its 50-year celebrations it was, to quote senior Bank staffer Ruth Kagia, 'an institution under siege' (Kagia 2005: 2). The Bank and neoliberalism more generally had a complicated time explaining the Asian 'miracle' too, a conundrum that would only be amplified by a rather selective reading of East Asian development and its subsequent dramatic collapse in 1997 with the onset of the Asian crisis. As a result of this, the chapter argues that neoliberalism and the World Bank were forced, both by pressure from within and without, to change.

And change they did. New emphases were placed upon the importance of institutions and qualities such as 'ownership' and 'participation' for market constitution and function. As chapter 3 ('Getting the

New Basics Right') demonstrates, much of the prescriptive evolution within SIN would draw heavily from relatively recent developments within orthodox economics, in particular the insights of new institutional economics (NIE). NIE's emphasis upon 'information asymmetries' and 'transaction costs' and the importance of institutions for attending to both, forms the theoretical rigour underpinning much within SIN. Indeed, NIE's influence is strewn all throughout SIN's social-engineering efforts, most evident in the way in which SIN attempts to deal with imperfect markets by specifying 'institutional' panaceas. New World Bank projects and programmes are now tasked with 'building' and 'reshaping' institutions, including legal systems, systems of property rights, state and non-state mechanisms of accountability and transparency and even social institutions, on the justification of reducing the cost of market activity, re-balancing information asymmetries and addressing 'market imperfections' associated with these. Not surprisingly, this approach grants a key role to the state, which in large measure is supposed to be a 'regulatory state' (Jayasuriya 2000) which is to establish 'ideal' institutional regimes attractive to capital while also guarding against market behaviour that could compromise market efficiency and legitimacy. The SIN state is even supposed to make up for the apparent tendency of individuals to under-invest in certain areas. For example, the SIN state is accorded responsibility for ensuring (though certainly not necessarily providing) the conditions required for the successful reproduction and improvement of the proletariat, taking on semi-custodial roles to ensure the production of 'human capital' and investment in 'family formation' to assist workers to make more productive use of their most abundant asset – their labour (Cammack 2009: 2; World Bank 1990: 3). It is also supposed to ensure certain very limited safety nets are in place, to help shield the market against popular demands for market-unfriendly action. Such foci complement the old and sometimes revised elements of the Washington consensus: the early neoliberal fetish for privatisation has now morphed into a reifying of public–private partnerships and the importance of having the right regulatory structures in place; liberalisation still matters but must be complimented with the right institutional framework; the central anchor of neoliberal macroeconomics remains significantly intact.

However, critically evaluating SIN is not just about identifying its theoretical underpinnings and the obvious prescriptive elements through which NIE finds expression. Chapter 4 ('Embedding the New Basics') looks at how the concern with implementation has been addressed with novel and innovative delivery devices and political technologies. In this

book, the term 'delivery devices' refers to mechanisms such as Poverty Reduction Strategy Papers (PRSPs) or Country Assistance Strategies (CASs), as well as individual projects and programmes. These devices constitute important containers of reform, values and norms that operate variously at the local and national level. 'Political technologies' are those methods used by the Bank to attempt to assist with the further extension of the formal institutions of the liberal market and its attendant norms and values into social life and are in no small way intimately fused with SIN's delivery devices. Such technologies are particularly evident in arrangements of 'partnership' and processes of 'participation', which attempt to harness support for the Bank's agenda beneath a veneer of inclusiveness and pluralism. These technologies attempt to knit together coalitions of interests amenable to the project at hand – which perhaps could be understood in neoliberal 'development' parlance as a form of social capital. Importantly, however, the very design of these technologies circumscribes the input of those inimical to SIN. Where the Bank pushes such processes it does not have to physically exclude opposition from participating in consultation processes and the like. Indeed, as chapter 6 describes, opposition groups often choose to exclude themselves for a whole host of reasons – many of which speak volumes about the political design of the Bank's methods.

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 non-SIN-compatible interests. They also exhibit the added bonus of presenting a legitimising image of concern for incorporating the opinions of interest groups. However, in practice there are very real and politically conditioned limits to such incorporation of interest. Again, these political technologies attempt to shape the very terrain around which policy debates occur and reform programmes are promoted and contested. In essence, they serve a highly political function, entailing both an agenda-setting role, and promoting processes which provide a veneer of legitimacy for the extension of market society.

In total, SIN's delivery devices and political technologies exhibit a depoliticised and somewhat androgynous character, with SIN's processes and prescriptions pitched as self-evidently sensible and normatively good for all interests involved, in particular for labour and capital. Many of the programmes and policies of SIN are couched in technical terms that

obfuscate class relations and play down conflict and divergent interests, while simultaneously attempting to rectify history's highly asymmetrical outcomes (consider the situation of the Netherlands with its per capita gross national income (GNI) of US$45,820 and its former colony Indonesia that, despite decades of impressive post-colonial era growth, has a GNI of US$1,650) (World Bank 2009a: 352–3). Yet SIN must necessarily be depoliticising, for many of the programmes and policies that are part and parcel of it very specifically appeal or threaten, in part or in total, different interests, with social class being a significant factor in contrasting responses to the project. Indeed, this is particularly evident in the assistance and resistance that is channelled towards SIN reforms and policy discussions.

Crucially, SIN's mobilisation requires excluding all other perspectives on ordering society, affording citizens the right only to participate in the construction and maintenance of market society. While classical liberalism, despite its frequent proclamations regarding pluralism and expanding franchise, was often quite elitist in nature (exalting the importance of a capable managerial class and intensely wary of the masses in its post-feudal project), SIN – if it was to be completely embedded – implies taking the limitation of politics packaged with a veneer of opportunities for political participation to new heights. Indeed, within SIN 'free' individual citizens (the core protagonist of all liberal thought) are permitted to be liberal market-implementers and maintainers (read 'change agents', 'norm entrepreneurs', 'capacity builders', consumers, monitors, producers and so forth). This is to say, individuals are free to become 'market citizens' (Jayasuriya 2006a: 235; Dagnino 2007: 549). In stark contrast to conceptions of citizenship that might entail social struggle to address political marginalisation (Dagnino 2007: 549), SIN's market citizenship affords no space for claims upon state and society that are 'market-distorting' (such as redistributive policies to address the injustices of the market) (Jayasuriya 2006a: 235; Robison 2006a: 5). What it does afford is the right to compete and ensure that competition persists, even if this requires regulation to curtail capital's excesses – excesses that can engender popular resentment resulting in more radically political responses from both the left and right.

While we are concerned here with understanding the structures and ideologies promoted through SIN *and the means mobilised by its proponents to promote them,* no less important are the political dynamics SIN generates and encounters. The four case study chapters (chapters 5 to 8) present excellent opportunities for covering this terrain. The chapters take particular themes within SIN (market-extension participation,

partnership, poverty reduction) as their starting points and look at what each of these means in a country context. Significant attention is then given to identifying the delivery devices and political technologies at work in each setting and the forms of support and opposition that they are associated with. The task here is to understand the political contestation associated with SIN, assess which groups support and resist such a project and why, and illustrate the effectiveness or otherwise of SIN as a relegitimising project of market-led development.

The first case study (presented in chapter 5) details the World Bank's role in the privatisation of Manila's water services and illustrates the contentious nature of the reinvention of privatisation (in this case a part-privatisation with an NIE focus upon institutional regulation). SIN has played a pivotal role in the constitution of markets in water services worldwide. New emphases upon the utility of public–private partnerships and the importance of independent regulatory bodies now regularly shape the 'knowledge' meted out to the global south when it needs guidance on the provision of water services. However, the constitution of this market, far from being apolitical, reflects an underlying set of class interests that seeks to benefit from these programmes. 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, at the time, supported by the Philippine government's neoliberal 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 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. Rather than a utopian regulatory state, technocratically delinked from the going concerns, a guarantor state (one that guarantees the interests of capital) uses the public purse to pick up the bundle and bail out capital. Such developments bring into question the classless assumptions of NIE about transaction costs and imperfect information, giving way to issues of efficiency of what and for whom – in essence, issues of political economy.

Chapter 6 takes a look at SIN notions of participation and partnership and what they mean when operationalised in the context of a World Bank Country Assistance Strategy for the Philippines. In popular

parlance, participation and partnership have positive connotations, implying the representation of interests and the inevitability of mutual compromise respectively. But participation and partnership in the hands of the World Bank necessarily entail circumscribing representation and there is little evidence of compromise on the part of the organisation over the substance of what is to be participated in or partnered. Vitally, participation and partnership within SIN suggest a political strategy of depoliticisation that attempts to marginalise pluralist politics and replace it with the mono-politics of market citizenship.

Highly functional in nature, participation and partnership within SIN are a fundamental part of an attempt to harness the support of those congenial to establishing competitive market society, presenting its proponents with an opportunity both to assess implementing conditions for policy and, simultaneously, to set a highly defined agenda. The rigidity of both the processes and the agenda associated with the Bank's efforts, oriented as they are to the task of implementation, actually alienates and dissuades the participation of those who are critical of it, raising serious questions about representation.

Chapter 7 ('Everyone Loves a Winner') takes another look at the issue of partnership, although this time through focusing squarely upon the dynamics that determine a particular relationship between the Bank and a given member country. Drawing upon the two very different political economies of Vietnam and Cambodia and the deployment of budget support, the chapter starkly illustrates the limits of SIN's delivery devices and political technologies. Rather than such limits simply being determined by a country's adoption or rejection of SIN's prescriptions, we see how a combination of interests (ideological, material and issues of legitimacy) play a critical role in determining Bank–country relations. Interestingly, the manner in which these interests play out in a 'politics of partnership' creates interesting bedfellows. Take, for example, the Bank's 'partnership' with Vietnam, a country run by a communist party that receives large, almost 'automatically harmonised' sums of soft money through a budget support programme that relies entirely upon country systems, despite the high prevalence of corruption, SIN reform immobility and a heterodox reform programme. The chapter argues that this is because Vietnam is considered a development winner *par excellence*, having achieved high rates of relatively equal growth and poverty reduction in a very short period of time. The country also has the potential to become a significant middle-income borrower from the Bank. In this environment, the Bank displays an eagerness to rather humbly maintain 'policy dialogue', despite leverage not being in the

organisation's favour. Conversely, Cambodia tells a very different story: a country riddled with patrimonial politics and endemic corruption (that has burnt the Bank directly) and an economy that has only delivered the benefits of growth to a small sliver of the population. Further, the Bank has very little leverage in Cambodia, owing to a diverse stream of new sources of financing. As a result, despite the superstructure of SIN's political technologies and delivery devices being present in Cambodia, legitimacy concerns heavily constrain the Bank's relationship with one of the world's poorest countries.

The final chapter ('A SINful Approach to Poverty Reduction?') looks at one large-scale SIN delivery device that has as its purpose the circumventing of many of the sorts of problems that the Bank faces in a setting like Cambodia. Drawing upon the political technology of community-driven (participatory) development, the Kecamatan Development Program (KDP) in Indonesia seeks a radical realignment of social relations by bypassing the state and extending capitalist social relations at the local level and attempting to instil the 'requisite' institutional arrangements of accountability and transparency. While the KDP has been a temporarily successful programme in terms of implementation and the construction of infrastructure that it entails, there are several issues that attend to it. Firstly, it remains a concern that such debt-based schemes, which attempt to facilitate liberal market-led development in desperately underdeveloped economies, have not necessarily proven themselves as 'silver bullets' for poverty. Indeed, given the lack of emphasis in addressing larger structural impediments to development (ownership of the modes of production and the antagonistic social relations between capital and labour), such programmes should be first and foremost seen as promoting 'the proletarianisation of the world's poor' (Cammack 2004: 190), rather than exhibiting serious potential to address poverty. Secondly, while community-driven development proves temporarily adept at getting around implementation hurdles, even here serious reservations remain regarding the longevity of reforms implemented and the nature of the transformation that takes place with a project like the KDP.

Taken together, the eight chapters of the book present an analysis of SIN, the hegemonic – yet contradictory – form of development governance developed and promoted by the World Bank. As will become evident to the reader, far from being apolitical, SIN is an intensely political project designed to curtail political impediments to reform, harness supporting coalitions and carve out a particular political space to aid with the delivery of a particular mono-political institutional framework.

Seen from this perspective the PWC is not just a new set of policies to be advocated, nor 'old wine in new bottles' (a phrase which sums up many of the critical takes on the PWC). Indeed, SIN is a complete, although in the end highly unsatisfactory, system for further foisting market discipline upon the underdeveloped world in the pursuit of poverty reduction. It is a project that fails to achieve 'ideal' implementation or substantive victories over poverty. However, what is important here is that SIN's political technologies and delivery devices are meant to depoliticise issues of class and inequality precisely to further the embedding of policy sets that have very real impacts upon class relations and resource distribution.

The book concludes by very briefly asking 'where to now?' for liberal development, given that, despite the SIN overhaul, issues of legitimacy still plague market-led development, with the utopian market society of SIN unrealised and highly asymmetrical development persisting. The immediate answer to the question would have to speculate that SIN is but the latest phase in the evolution of neoliberalism and that it will continue to fumble along, with tweaks made here and there, until its legitimacy is significantly challenged by crisis – much like how the Asian crisis and the transition crisis in Russia became significant catalysts prompting the evolution of the Washington consensus. This means that for those of us interested in 'development' practice and development as a process, we will have to continue to engage with the ongoing insistence upon the importance of institutions and institutional quality (good governance), the reification of public–private partnerships and the almost untouchable benefits of 'social development' inherent in SIN for some time yet. However, while SIN might be as good as neoliberal development gets, it is only via acknowledging and embracing the political nature of development that the poor's lot can be significantly improved.

Methodological confessions

The framework in this book, centred upon the concept of SIN, is based broadly upon a historical materialist position that takes inspiration from various lineages of Marxist and neo-Marxist thought. These lineages are very roughly classifiable into broad 'schools': social conflict approaches, Gramscian/neo-Gramscian approaches and 'new' and 'old' materialist approaches. All of these commonly stress the struggle and/or diverging interests between classes as central in their respective analyses of power.

However, each brings somewhat discrete, although sometimes overlapping, strengths to the synthesised framework deployed in this book.

Old and new materialist approaches have made worthy contributions that assist us by convincingly detailing what it is that the Bank does – in short, promoting market extension and capitalist social relations via a utopian project that seeks the proletarianisation of the world's poor (Cammack 2004: 190). The book starts from the premise that this is what the Bank *attempts* to achieve, though not in a straightforward functionalist sense. Concurring with David Harvey (an 'old materialist'), the theoretical approach of *Delusions of Development* emphasises the importance of understanding neoliberalism as either a '*utopian* project to realize a theoretical design for the reorganisation of international capitalism' *or* 'as a *political* project to re-establish the conditions for capital accumulation and to restore the power of economic elites' (Harvey 2005: 19). Again, following Harvey, I accept that of these two projects, in practice it is the second that dominates. While SIN is a concrete manifestation of the first project (part of the theoretical attempt to realise a reorganisation of capitalism) it is still intensely related, though not in a functionalist sense, to the second project (the restoration of class power). Indeed, in many ways SIN opens up new accumulation opportunities for capital, which once realised are consolidated with means other than that specified in the utopian plan. This is to say that SIN matters a great deal not simply as a straightforward 'tool' of capital, but rather because it presents opportunities broadly compatible with sections of capital (especially the opening of markets and the locking in of property rights), which can regularly be captured for a more direct realisation of capitalist interest.

The book also makes use of Gramscian and neo-Gramscian approaches harking from the fields of both international political economy and critical political economy: approaches which tend to emphasise issues of class hegemony and legitimacy. Such approaches are particularly valuable for thinking about why SIN emerged in the first place (as an organisational and ideological relegitimisation exercise) and why it has taken on its particular form (building in certain political technologies). Finally, social conflict approaches, that emphasise the class-based nature of institutions and their function as 'power allocation mechanisms', are seen as explicitly useful for critiquing the theoretical underpinnings of SIN and its prescriptions (covered in chapter 3) and – not unrelated – understanding the politics which the Bank is associated with in practice. The reader will find references throughout the text to contributions from these schools and many of their key adherents.

A specific remark should also be made about the influence of the work of Jayasuriya, Gill and Cammack on the framework deployed in this book and in particular their work on conceptualising the contemporary neoliberal state. Jayasuriya's work on anti-politics, the regulatory state and market citizenship, Gill's efforts on disciplinary neoliberalism, new constitutionalism and the 'enabling state', and Cammack's work on neoliberalism and competitiveness, have been important influences upon the conceptualisation of SIN. Indeed, SIN, should be seen as a critical element of the project of 'disciplinary neoliberalism', a project 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' (Gill 2000: 3).[1] Gill's work relates very closely to Jayasuriya's and Cammack's respective descriptions of the project at hand and the state form that accompanies it, and the work of all three has been seminal in conceptualising SIN.

In operationalising an analysis of SIN, I was crucially interested in making an assessment of the Bank's work beyond relying upon secondary material. This was partly driven by a nagging concern that when social scientists are disconnected from that which they seek to understand, the utility of their work diminishes significantly. I felt that in order to provide a convincing characterisation of the new development agenda it would be important to look at a combination of sources, including official positions emanating from the Bank (found in the plethora of documents and official statements); the volumes of material written on the Bank, neoliberalism and development and, crucially, interviews in the field. The book's primary research material was largely derived from interviews conducted over three separate field trips between 2005 and 2009. Two trips to Indonesia, the Philippines and Thailand in 2005 constituted the initial primary data collection for the manuscript. Subsequent interviews in Washington DC (2008) and Vietnam and Cambodia (2009) complemented the earlier material. In approaching interviews I wanted to get a sense of how projects and programmes unfolded on the ground. Driving this was an interest in answering certain specific questions. What form did the new projects and programmes of SIN take and why? What sorts of people, within and outside the Bank, were and were not engaged in them? What impact did the Bank's in-country work have and how was it impacted?

In exploring SIN, I chose to make the case study chapters (chapters 5 to 8) thematically based, with each drawing upon the most prominent themes within SIN – themes such as market extension, partnership,

participation, and poverty reduction. There was also a conscious effort to look at the Bank's activities across different political economies exhibiting different state forms. A diverse region like Southeast Asia makes such a study possible, playing host to a variety of political systems, from democracies (Philippines, Indonesia and Cambodia) to socialist/communist states (Vietnam, Laos), all of which exhibit different patterns of development. Moreover, the World Bank has played a significant role in many of Southeast Asia's countries for a long time now – with some of the Bank's largest country offices and country programmes located in the region.

World Bank projects and programmes were chosen for each of the case study chapters for their potential to highlight SIN's themes 'in action', with the process of selecting particular activities of the Bank to study across countries by no means an easy one. In total, the case studies intentionally focus upon a range of different examples of the Bank's work: the use of technical assistance in a privatisation project, the use of participation and partnership in a Country Assistance Strategy, the notion of partnership and its relationship to budget support, and the overarching theme within SIN of poverty reduction and a community-driven development project. Here, the point of selecting such a sample was to demonstrate the composite form of SIN in action and also provide the grounds for making an assessment of the politics that SIN generated and encountered.

Subsequently, the privatisation of Manila's water supply (chapter 5) was chosen as a case study because it presented an example of the World Bank's new emphasis upon providing 'knowledge' – that is, the normative promotion of ideologically imbued solutions (privatisation) as 'common sense and best practice'. However, beyond the method of promotion, 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 6, 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 programmes. 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 the CAS, it is possible to look at the relationship between participation and the development of a blueprint for a Bank country programme. Secondly, looking at the resulting programme itself, we can see the

highly functionalist manner in which participation and partnership are allocated critical roles in implementing the CAS. In chapter 7, the Bank's willingness or lack thereof to embrace novel delivery devices such as budget support that are emblematic of 'partnership', was specifically singled out for the purpose of providing a comparative analysis of Bank–country relationships in two separate country settings (Vietnam and Cambodia). Finally, the basis of the case study for the last chapter (the KDP) was chosen because it presented a large-scale example of SIN's poverty reduction and institutional foci that has received considerable attention as a positive and different approach to development for the Bank. Taken together, the four case study chapters provide an opportunity for an analysis of SIN that incorporates a reasonable mix of breadth and specificity.

Having chosen specific themes, projects and programmes through which to explore SIN, I sought to identify interviewees who were specifically related to the Bank's work in each setting. Subsequently, I conducted interviews with strategically selected World Bank staff both in Washington and in the organisation's country offices, past and present government personnel working at various levels, consultants, NGO workers, political party members and trade unionists, journalists, activists, academics and villagers. Interviews ranged from fairly typical semi-structured one-on-one encounters of varying durations to a highly animated village meeting with more than twenty people in West Java.

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

Outside of the Bank, interviews were held mostly with people from relevant NGOs, journalists, unions, members of academia and others who 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 different reasons. For example, the analysis in chapter 6 on the Bank's CAS required

gaining an understanding (from both Bank and non-Bank elements) of the nature of participation and partnership involved in the Bank's work. This meant more than just looking at the participatory processes that the Bank set in place for the preparation of the CAS. Indeed, it entailed deciphering the political divisions that separated those groups and individuals who would work with or who were sympathetic to the Bank from those that would/were not. And this was not just an exercise in political mapping. The interviews demonstrated much not just about the politics that the Bank was trying to contain but the methods of containment and the very limits to participation. Similarly, in chapter 8 on the KDP, the perspectives of many of the aforementioned actors were critical given the role that they have played in relation to implementing KDP. Other 'outsiders', such as villagers in both KDP and non-KDP participating villages, also yielded important information, both on the project itself and on the Bank's work more generally.

Many interviewees were identified and contacted (both inside and outside of the Bank) leading up to and throughout the course of the fieldwork, and others were recommended by interviewees and others along the way. Overall, the interviews were specifically aimed at unpacking the historical and political dimensions of particular Bank operations on the ground and shedding light upon the political alliances and conflicts integral to the development of SIN and its prospects. Central to this was revealing 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 impacted by it positively or negatively). This was done to better illustrate the precisely political nature of the world's premier 'development' organisation and the politics which it faces.

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' (Stiglitz 2001a: 17–56). Entitled 'More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus', much of the content articulated 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 (PWC) 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 1998, at the Tenth Anniversary of the Ministry of International Trade and Industry Research Institute (MITI) 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?' (Stiglitz 2001b: 94–126).[1] 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' (Stiglitz 2001c: 57–93). The two latter presentations continued and expanded upon the themes initially 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.[2] This campaign was seemingly juxtaposed by Stiglitz against the Washington consensus; a term coined by the economist John Williamson to describe the endorsement by Washington in 1980s of a particular policy set (which included

privatisation, trade liberalisation and competitive exchange rates) for Latin America (Williamson 1990: 7).

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 should be made between what he was advocating ('his' PWC) and what ended up panning out as SIN. This is for two key reasons. Firstly, political reality has meant that the realisation of Stiglitz's agenda has not been as complete as he might have hoped. Secondly, many of the important elements associated with SIN (understood here as the real-existing PWC) were pushed from within the World Bank prior to his arrival at the organisation and owe little to the Nobel laureate and more to the desperate need on the part of the Bank to relegitimise its efforts – a crucial point in understanding SIN's current form. Nevertheless, Stiglitz is inextricably associated with the development and consolidation of SIN. His vociferousness while Senior Vice-President and Chief Economist at the Bank (1997–1999), 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. Orthodox neoliberals, such as former World Bank Chief Economist and US Treasury Secretary, Lawrence Summers (now the Director of Obama's National Economic Council), were less enamoured with some of Stiglitz's proposals and ideas, seeing him as a major thorn in the side (detailed in the next chapter). Likewise, unorthodox critics of the PWC honed in on Stiglitz as the key figure associated with reshaping the development agenda. The latter's 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.[3]

However, in many ways, Stiglitz's proximity to the *conceptualisation* of the new development agenda has complicated analyses of it – especially critical ones. Indeed, much of the critical and non-critical coverage accorded to the PWC often suggests that it is little more than Stiglitz's ideas put into action. Focusing upon Stiglitz and conflating his ideas with the PWC have been detrimental to analyses of the actually existing PWC or the PWC *in practice*. This is because the PWC in practice constitutes more than Stiglitz's ideas in motion, as it were. Indeed the real-existing

PWC has a politically contested genesis, its form owing to battles within and over the hegemonic paradigm of neoliberalism and the crises of legitimacy associated with these. In short, the PWC in practice cannot be understood as the product of one man. Importantly, its content stems from a variety of theoretical and politico-historical lineages (which includes, but is not limited to, the work and influence of Stiglitz), with many of the new development agenda's key elements, such as emphases upon partnership, participation and a stronger role for the state, predating Stiglitz's influence at the Bank significantly (see chapter 2).

Crucially, the conception of the PWC which Stiglitz has advocated 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 is often assumed by supporters and critics alike that the PWC in practice is little more than Stiglitz's ideas put into action, 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 then, which sets up the rationale for reconceptualising the new development agenda as SIN in this book, is that current analyses of what is referred to as the PWC are inadequate for *understanding the new development agenda in practice and the politics that are associated with this project*. The inadequacy of contemporary conceptualisations of the PWC and their subsequent analytical deployment generates a demand for a qualitatively different framework, which details a precise appreciation of the very *processes* that attempt to translate the new development agenda's prescriptions into reality and the politics that this both generates and encounters. 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 begins by reviewing the most important literature relating to the conceptualisation and analysis of the PWC to demonstrate the need for a new framework. The chapter then sets about detailing that framework. The alternative framework presented in this book is premised upon seeing neoliberalism as the product of a politically contested 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 promoted under the PWC, is essential to such a framework. Crucially, SIN is not simply seen as the product of particular individuals (such as Stiglitz) but

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. Importantly, as an essential part of the utopian project to reorganise capitalism, SIN is regularly subordinated to the pragmatic interests of capital embodied in David Harvey's second conceptualisation of neoliberalism as a project to restore class power (Harvey 2005: 19).

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 readily identifiable materials such as those associated with Stiglitz (and James Wolfensohn – Bank President, 1995–2005), or the Bank's annual *World Development Report,* as demonstrative of it. While much of this critical work is useful, engaging with substantive policy issues and specific themes 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 related to the 'impossible project' of embedding a utopian market society.[4]

In developing such an analytical framework, it is essential to bear in mind that the pronouncements of Stiglitz and Wolfensohn, not to mention the proclamations emanating from the Bank through particular reports and its website, tell us little about what occurs in practice and the politics of implementing the PWC at the national and local levels. Further, while excellent case studies on *components* of 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.[5] 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 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 upon the *implementation of market society*.

In order to underline the utility of an alternative framework for understanding the new development agenda in practice, this section first 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 as this 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 has not been influential in 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 (Stiglitz 2001c: 58).[6] This diverts analyses from understanding the very processes and mechanisms through which the PWC manifests, the politics that it both generates and encounters, and subsequently prohibits an understanding of what it actually is.

It should also be remembered 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' (Stiglitz 2002: 58)), his academic work and indeed the ideas and prescriptions to which he is associated are still very much elements *within* neoliberalism. However, rather than simply 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 (those with more instrumentalist approaches to policy), 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 centrally on extending the reach of markets into society and making them 'work well'. With regards to the latter, Stiglitz makes particular reference

to elements such as regulation, competition and transparency as crucial areas neglected by the Washington consensus (Stiglitz 2001a: 17). He also emphasises, in the lecture and elsewhere, his contention that some of the policies of the Washington consensus were misguided, a point which has no doubt led some to conclude that his contributions are more radical than they actually are.[7] 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 extension of the market into social life is to take place*.

Actually, for Stiglitz, many fundamental liberal assumptions about the benefits of markets are unproblematic. Rather, his conception of the PWC is about how best to *implement* liberal markets and achieve liberal market efficiency (ibid.: 23). Stiglitz's basic prescriptive emphasis is upon the regulatory requirements of capitalism and the 'role of the state'. A great deal of concern is also given by him 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 (ibid.: 31–4). Here, government policy that fosters competition in certain sectors is seen by Stiglitz as critical. This 'Washington consensus plus-government' theme is also evident in Stiglitz's attention to privatisation, where he is concerned with both the capacity to regulate private interest and with issues relating to the 'sequencing and scope of privatisation' – foci that have become staple concerns within the new development agenda (see chapters 4 and 5) (ibid.: 33–4). Finally, in Stiglitz's PWC, the state is essentially envisaged as a basic 'guarantor state' – in that it is expected to make up for where markets fail or under-provide.[8]

Crucial 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' (Stiglitz 2001c: 59). This systemic theme within his PWC advocacy is also reiterated in his critique of previous approaches to development which failed to 'reach deep down into society' and neglected the importance of participation (ibid.: 61). Vitally, this two-pronged design (entailing particular policy content *and* a concern for delivering particular reforms) is, as this book makes clear, *a key feature* of

SIN. Importantly, it implies that society can be changed via a concerted process of social/institutional engineering, largely, one must presume, through the technocratic management of sources of political conflict. In this regard, Stiglitz's PWC and the new development paradigm are very closely aligned indeed, although an important qualification should be made here. 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 (ibid.: 73). However, Stiglitz's notion of participation in relation to development differs in some important respects from the notion incorporated into both Bank documents and the organisation's participatory processes that operate on the ground (as is made evident in chapter 6). Pronounced examples of this are evident in Stiglitz's strident emphasis upon democracy and the rather frequently awkward nods towards egalitarianism apparent in his various utterances. This said, an integrated assessment of Stiglitz's PWC, despite its veneer of social democratic sensibilities, must still reveal participation and ownership as serving overwhelmingly functional roles: that is to guarantee 'successful transformation' in a neoliberal sense (ibid.: 74).

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 liberal market extension rather than some departure from neoliberalism. While there is a tempered recognition within Stiglitz's speeches of the problems that liberal markets cannot easily rectify, this is in no way indicative of his promotion of some form of social democracy with redistributive features. Indeed, Stiglitz seeks the further extension of the market into social life while largely depoliticising the conflicts and struggles that typically attend such relations. Where social justice concerns do appear evident in Stiglitz's PWC they are first and foremost related to a functional concern for embedding neoliberal policies that are thought to be of universal benefit.

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 straitjacket that is actually implied by his emphasis upon the 'role of the state' and its relationship to the market.[9] Indeed, as this book makes clear, the fact that several of these facets are either *dropped or 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 a variety of elements in a highly instrumental manner. Stiglitz and his ideas constitute just one element, albeit an important one, in the new development agenda and it is analytically insufficient to equate him with the real-existing PWC. What we still require, however, is a framework for understanding the politics of the real-existing PWC.

Critical understandings of the new development agenda and the World Bank

While the new development agenda is part of a much larger project, this book is seen specifically as a contribution to the growing literature on the politics of the PWC.[10] Critical analyses of both the PWC and the Bank have been based largely around appraisals of the PWC's prescriptions (often related to the Stiglitzian conception described above), their theoretical underpinnings (NIE), and critiques of the Bank more broadly. Such analyses, covered in this section, are very useful for those interested in changing ideas on development. However, these contributions still leave us with an incomplete conceptualisation of the PWC in practice, which necessitates understanding the structures that the Bank (as its leading proponent) seeks to promote on the ground and vitally, *the politics associated with this*.

Two 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) (Pincus and Winters 2002a; Fine, Lapavitsas and Pincus 2003). The principal task of the Pincus and Winters 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 (Pincus and Winters 2002b). 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, a basic criticism of the volume is that the introductory chapter fails to analyse the political project that the Bank is part of and focuses instead upon pressures for change operating upon 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 (Fine 2002: 203–21; Khan 2002: 164–84; Pincus 2002: 76–100). Yet 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 the critical tasks of developing and deploying 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 then proceeds – rather problematically, given that this politics has received very little attention in the introductory chapter – to propose 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 actually criticise. Indeed, a more politically oriented analysis would shift from what 'might be good' (a reformed Bank) to what exists and the political reasons for this. This would in turn reveal a great deal more about the current Bank and the project with which it is associated (a task 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 issues: 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 2002a: vii–viii).[11] 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' (ibid.: viii). They do, however, harbour grave reservations about the Bank's ability to undertake such tasks, asking whether it has the operational capacity in this regard. Importantly, in their critical-technocratic 'mission', Pincus and Winters are also concerned as to whether the Bank is the right 'vehicle' to take on world poverty and ask whether the organisation has the correct 'conceptual framework for the analysis of poverty and broader development issues' (ibid.: xi). 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 organisation's 'bureaucratic inertia' and the result of accommodating increasing demands from member countries (Pincus and Winters 2002b: 1). 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 (ibid.: 2).[12] 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 reinvention of the Bank as a 'Knowledge Bank', all of 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' (ibid.: 3). From here, the editors advocate organisational change for the Bank calling for '…a thoroughgoing and externally controlled process of transformation' (ibid.). 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 in the organisation (ibid.: 5–6).

Pincus and Winters identify these pressures for change as relating to competing 'visions' for the Bank. Four 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 on the political 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 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 (ibid.: 9–10). 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' (ibid.: 9, 23).

For our purposes here, the first vision of the Bank outlined by Pincus and Winters is perhaps the most relevant, although the framework proposed in this book strongly argues against an analytical approach that focuses upon 'visions' *for* the Bank, preferring to see the extant competing visions for the Bank as representative of the formative struggles associated with neoliberalism. The first vision of the Bank detailed by Pincus and Winters 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' (ibid.: 10). Furthermore, they

perceive this 'vision' as 'a serious dilemma for the reinvention project' that they advocate – a dilemma that is also actually applicable to the real-existing PWC. In their Knowledge Bank 'vision', the ideas of Stiglitz and Wolfensohn are seen as critical. 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 programme; that is, the promotion of his version of the PWC (ibid.: 11–13). Pincus and Winters state of Stiglitz and 'his' PWC that:

> 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. (ibid.: 12)

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 its own internal performance standards' (ibid.).[13] They also have their (very reasonable) 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* (ibid.: 12–13). 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 appreciated as a strategy for a Bank endemically plagued by implementation failures and other problems that detract from its organisational legitimacy. Overall, in response to such realities, the Bank has developed an approach, within the ideological and political confines of many of its senior staff and member country interests, to rectify these failures and problems *within the context of a project fixated upon market-extension into social life*. 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 *institutionally* embed neoliberalism in the face of implementation failures.

Similar weaknesses are also evident in *Development Policy in the Twenty-First Century: Beyond the post-Washington Consensus,* by Fine, Lapavitsas and Pincus. 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:

> … 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. (Fine, Lapavitsas and Pincus 2003: xvi)

They continue:

> 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. (ibid.: vii)

This is a view of the PWC that is also heavily focused upon Stiglitz.[14] The problem with this analysis is that it engages and interrogates the ideas of Stiglitz in a technocratic way, to the detriment of understanding the PWC in practice. As such, this analysis sees change as relating to an array of 'vague' policy prescriptions and an 'inchoate current of thought' (ibid.: xvi, xvii). Actually, as this book makes clear, 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, it is possible to be very clear about the politics responsible for and 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 PWC, rather than analysing the politically fraught evolution of neoliberalism and the actual-existing PWC as one element in this process.

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' (ibid.: xix). 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 book describes as SIN. What is essential is that we see the manner in which particular programmes and projects (as delivery devices) and processes of participation and partnership (as political technologies) are used to constitute market society, ostensibly in pursuit of poverty reduction. Such delivery devices, which attempt to deliver a certain prescriptive set, and political technologies, which attempt to build consensus and marginalise opposition, are actually illustrative of a highly political project 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 inadequately answered by Fine in the leading chapter of the book:

> 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. (Fine 2003a: 16)

Indeed, the history of the Bank and its work throughout the 1980s, 1990s and more recently is critical to understanding the PWC's development, revealing the different tensions and influences (intellectual,

political and ideological) that have shaped its form.[15] Like 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 incomplete, contained as it largely is to a technocratic assessment of a set of prescriptions.

Two other significant critical contributions have been made to understanding the post-Washington consensus and deserve coverage here – the Polanyian-influenced work of David Craig and Doug Porter on 'Development' and the new materialist take on the Bank and the 'governance of global capitalism' associated with Paul Cammack. The former work takes a methodologically similar approach to that applied in this book, though Craig and Porter's framework harks from a different theoretical stable and thus places little emphasis upon the connection between the project that they describe and its material base. The latter work by Cammack is seen as highly influential on the framework that this book deploys, though an effort has been made here to emphasise the role of struggle and contradiction attending capitalist development and its relationship with neoliberalism's evolution.

In *Development Beyond Neoliberalism?*, Craig and Porter (2006) outline in significant detail what they call 'Development'. Their volume's overall conceptualisation of 'Development' and its most recent incarnation, 'Poverty Reduction', concentrate very closely upon many of the facets of concern in the book you are now reading. Further, they take a similar methodological approach to the one that I have adopted, describing the contested nature of the new development agenda, outlining its key characteristics and then proceeding to look at implementation. This said, both the theory driving their understanding of 'Development' and their findings differ from those in this book, derived as the Porter and Craig text is from Polanyi rather than Marx.

For Craig and Porter, 'Development' is a novel hybridised liberal construct that, in contrast to the 'negative liberalism' of the Washington consensus which focused upon minimising the state's role in markets, constitutes an 'inclusive neoliberalism' incorporating 'positive liberal' emphases, such as '"empowerment" and market enablement' (Craig and Porter 2006: 11–12). In significant concordance with the argument made in the next chapter, they see 'Development's' reinvention as 'Poverty Reduction' (which closely approximates with what is described in this book as SIN) as stemming from a broad crisis of legitimacy facing the Washington consensus (ibid.: 1–3). They detail the important place of NIE in this reinvention, and NIE's influence upon 'Poverty Reduction's'

myriad instruments (what I call in this book 'delivery devices' etc.). Craig and Porter also detail the new development agenda as a contradictory (though they do not rely on that word) undertaking. Importantly, drawing upon Polanyi, they describe the various shifts in 'Development' as 'lurches' – shifts between periods where markets are socially disembedded and then re-embedded, seeing 'Poverty Reduction' as possibly the latest attempt to socially re-embed the market (ibid.: 12).

Essentially Craig and Porter's take on the new development agenda is a pertinent critical left assessment of the new development agenda. However, while their study's design has much in common with this book, there are several significant points of difference. Firstly, and fundamentally, rather than just constituting the latest instalment in liberal development, the new development agenda should be understood as a project associated with the extension of the market that relies upon *distinctly illiberal political techniques* – a point undervalued in Craig and Porter's analysis. Further, the new development agenda should not be conceived as part of some social re-embedding of the market. Rather, first and foremost, the new development agenda should be seen as an attempt to further embed neoliberalism – in essence to *embed society in the market*. In this respect, I argue in the next chapter, the crisis of legitimacy that enveloped earlier forms of development practice generated a contested discussion within the paradigm of neoliberalism over how this embedding (implementing) process should best be handled, resulting in the current approach to 'Development' that I call SIN. Second, in significant contrast to Porter and Craig, neoliberalism and its contested trajectory are both understood in this book as *having a material base* – the capitalist mode of production; a point which must be emphasised to understand why certain paradigms of development are on the table in the first place and why, when it comes to implementation, such paradigms are impacted in the way they are. This is to say that 'Development' is not just some floating body of autonomous technocratic experts (such as World Bank staff) removed from material reality, seamlessly realising their agendas. Indeed, as chapter 8 demonstrates, while 'Development' should not be understood in a simple 'vulgar' relationship with capitalism, it is inextricably connected to and defined by it.

Less ambiguous than Porter and Craig about the material base of the World Bank and the new development agenda, Paul Cammack's work develops an 'approach to world politics derived from Marx's critical political economy' (Cammack 2003: 37). He argues that the Bank is part of a 'project… aimed at the "completion of the world market"' and that its efforts in this regard are oriented towards the proletarianisation

of the world's poor (Cammack 2004: 190). To understand his analytical framework it is worth quoting the following excerpt at length:

> 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". (Cammack 2003: 39–40)[16]

For Cammack, the Bank's approach to poverty reduction is 'conditional upon, and secondary to' the implementation of programmes that seek to extend market relations and, ergo, the concomitant asymmetries of power inherent in such relations (Cammack 2004: 190). Thus, to varying degrees, the poverty reduction approach of the Bank embodied in the new development agenda is emphasised as generating 'proletarianisation and capitalist accumulation on a global scale' as its output (ibid.). Oriented towards this task, the Bank's various *World Development Reports* have charted a blueprint for the realisation of this output, for example emphasising the subordination of the provision of crucial social services for the poor to the ostensibly more central task of increasing labour productivity (ibid.: 190–1). Within the new

development agenda, this emphasis upon heightening productivity is not simply invoked by ignoring the importance of health and education. Rather foci such as education and health are reconceived as crucial elements in ensuring *the reproduction of a productive labour force* within the capitalist mode of production (part of a process that Cammack describes as 'grooming a future proletariat'), in contrast to constituting basic human entitlements (ibid.: 192). Moreover, Cammack notes the critical role that the Bank plays in instilling a novel competitive realm – a new arena in which the freshly groomed proletarian majority ekes out its existence (ibid.: 193–4).

All of this is seen as being mobilised through a much deeper role for the state in relation to the functioning of markets and includes efforts to muster the support of civil society, foster new partnerships and create fresh incentive structures for the poor to be subjected to. In the new development agenda of the Bank Cammack sees a massive social engineering project designed to constitute a competitive global market society:

> Wolfensohn proposed to promote from the World Bank a comprehensive set of social, cultural and institutional reforms which would create an environment for the sustainable reproduction of capitalism. Building on the foundations laid down from 1990 onwards, the strategy confirmed a framework within which the state was to be restructured as a partner and support for private capital, guaranteeing the 'fundamentals' of macroeconomic stability, while the involvement of users and stakeholders at the local level was governed by the dominant logic of efficiency and competition. Above all, for the project to succeed, the poor had to be converted into a source of capitalist accumulation, by creating structures of incentives at the micro-level that complemented the macro-level fundamentals. (Cammack 2004: 196–7)

While Cammack's work has been critiqued by other Marxists such as Marcus Taylor for adopting a structural-functionalist logic that endows the Bank 'with an independence, omniscience and power that it simply does not possess' (Taylor 2005: 154), the criticisms are not terminal for new materialism. It is accepted here that the consideration of contradiction and struggle (which should be quintessential components in any Marxist analysis and which are central in Taylor's concerns over new materialism) matter in understanding the Bank and the agenda to which it is wed. However, Cammack's contributions are not incompatible with

an analysis of the Bank's actual influence, which in reality is promoted and or curtailed and circumscribed by myriad interests (as this book makes clear). Indeed, considering the political machinations associated with the PWC on the ground countenances many of Cammack's essential points. However, understanding such machinations does require that we move beyond an analysis of the 'Wolfensohn–Stiglitz project' and detail the politics of neoliberalism, both in its development and in the field.[17] Essentially, by integrating contradiction and struggle more explicitly into Cammack's framework we are well on the way to understanding where the new development agenda has come from, what it attempts to do and, by no means the same thing, what it does in practice. Crucially, such an inclusion is also important if we are to suggest where it might be heading.

A new framework based around SIN

The Stiglitzian PWC (as it is conceived by both Stiglitz and his critics) presents us with an incomplete framework to comprehensively appreciate the real-existing PWC to which the Bank is so strongly connected. Craig and Porter's analysis of the new development agenda, while well-executed, is somewhat hamstrung by its understanding of neoliberalism without connection to its material base and the lack of some statement about the dominant interests related to and impacting upon its implementation. While Cammack's new materialist framework has significant potential, and plays an important role in shaping the framework deployed in this book, it is essential that attention is paid to the role of contradiction and struggle in both the formation and operation of the new development agenda, detailing the very politics associated with the PWC in practice.

With this in mind, this book operationalises a framework for understanding the Bank and the new development agenda which argues that the new development agenda is best understood as a new form of neoliberalism that marks a qualitative departure from the Washington consensus in that it is centrally oriented upon *implementing market society*. 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 episodes such 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. 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 market function. 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 and their contested genesis. Crucially, it also necessitates analysing the politics of implementation. In other words, rather than presenting a prescription for what the organisation should do, this book is concerned with what the Bank *is* doing and the broader structural and political reasons for why it is doing this. Furthermore, no less important are the various political factors facilitating and frustrating the Bank's agenda.[18]

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 in the attempt through SIN to rectify the implementation problems that plagued the original consensus in constituting market society.

In many ways, what the framework developed in this book reveals that is different from other analyses of the new development agenda (especially that of Pincus and Winters) derives from its shift in focus. What is crucial is not simply appreciating the new development agenda through key figures and documents associated with it *but also seeing how it pans out in the real world*. This, in turn, tells us much about *what it actually is*. While Craig and Porter's work does this to a certain extent, they refrain from both detailing the material base of neoliberalism and making a concrete assessment of the politics of development on the ground (i.e. which interests matter most in detailing the trajectory of 'development' projects and programmes). Within this book's framework, the historically contested nature of neoliberalism and neoliberal development practice play essential roles in understanding SIN, and both receive commensurate coverage in the following chapter. In

chapters 3 and 4 respectively, the book then details SIN's precise form, looking in particular at the influence of NIE upon 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). This framework is then applied to an analysis of empirical evidence from the field in the book's four case study chapters (chapters 5 to 8), to demonstrate the presence and effect of SIN in practice.

In particular, SIN is seen as the product of a 'crisis of authority' for the Bank and neoliberalism generally that created a terrain for battles over institutional form, without a fundamental reordering of social institutions (Soederberg 2004a: 19; Forgacs 2000: 247–8; Gramsci 2000: 263–7). But this book goes further than much of the neo-Gramscian work in mapping out in detail the levels of resistance and assistance associated with this project (especially at the country level). 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's very form represents an attempt to marginalise those who 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. One of the core strengths of the framework centred around SIN is that is not just focused upon policy content, but is also concerned with the way in which SIN's proponents, and in particular the Bank, use specific 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, which mean that the hegemony of SIN is incompletely realised on the ground. Indeed, the most significant contribution of this book 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 role of class-based interests (including domestic and transnational capital, labour and the influence of powerful states) and the manner in which these impact upon SIN is crucial.

2
SIN Rising

The ascendant nature of socio-institutional neoliberalism (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).[1] However, more important than this '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 4, 6 and 8), can be understood in relation to efforts within neoliberalism to legitimise, embed and maintain liberal market systems.

This chapter places the rise of SIN in 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 two decades, 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.

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. Global and local civil society have also brought pressure to bear on the evolution of SIN, with activist groups and social movements playing important roles in the formation of 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 over how to respond to the crisis of legitimacy rather than a result of seriously internalising the demands of specific activist groups or critics within the academe. 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 and somewhat conflicted as they are – under attack from below.

The World Bank and the political evolution of neoliberal development

Prior 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 ascendancy in the 1980s (Toye 1987: 22).[2] 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 (Mosley, Harrigan and Toye 1991a: 7). 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. Debate, both academic and popular, over monetarism was vigorous in the mid 1970s and the end of the consensus around neo-Keynesian approaches to macroeconomics also led to debates questioning the relevance of development economics (ibid.: 7–10).[3]

As Mosley, Harrigan and Toye have shown, the ascendancy of early neoliberalism, both politically and intellectually, was consolidated in a very specific global economic environment, where a decade and a half of slowing world economic growth from the mid-1960s to 1980 was followed by a chronic 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. (ibid.: 5–6)

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 (ibid.: 6). 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 (ibid.: 7). 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 (ibid.: 8). This debt crisis stemmed from the borrowing by underdeveloped countries of cheap 'petrodollars', accrued by oil producing countries from the earlier increase in the oil revenues, which had sent international debt to unprecedented levels (ibid.: 6–9; Leys 1996: 21). In total, this

global context provided both an important backdrop to, and catalyst for, the rise of neoliberalism in both the developed and underdeveloped world.

Neatly dovetailing with this scenario, an intellectual counter-revolution in development theory was waged by several key individuals, such as Harry Johnson, Anne Krueger, Peter Bauer and Deepak Lal (Colclough 1991: 5–6; Toye 1987: 23). While some have emphasised the importance of recognising the differences between these and other neoliberal luminaries (see, for example, Mosley, Harrigan and Toye 1991a: 11; Colclough 1991: 6), for our purposes here several general remarks can be made to clarify the broad neoliberal position at the time. At root, neoliberals rejected many of the key tenets of structuralist development thought – which, while also containing a divergent and eclectic membership, emphasised interventionist approaches (Colclough 1991: 2–3). For structuralists, it had been important to recognise the difference between the *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' (ibid.: 2). Neoliberals, in contrast, critical of the sluggish progress of the underdeveloped world, apportioned blame on government intervention. 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. In short, as Colclough has noted, their solutions echoed 'those of early liberal economists from Smith to Marshall' (ibid.: 6–7). 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 (ibid.).

Notably, several of the key individuals related to neoliberalism's intellectual consolidation had 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 world' (ibid.: 7). 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 (ibid.: 7, 22).[4] 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. In particular, this was reflected in Structural Adjustment Programs (SAPs), designed by the Fund and the Bank, that would make lending conditional on pursuing fiscally-austere neoliberal policies (Leys 1996: 17–18, 22).

Such an approach was substantively different to that of the Bank during the majority of Robert MacNamara's presidency (1968–81). As Berger and Beeson have emphasised, MacNamara's incumbency reflected some of the '…optimism characteristic of the wider cold war liberalism (liberal developmentalism or classical modernisation theory) which had emerged after 1945' (Berger and Beeson 1998: 489).[5] Under MacNamara, the Bank had often criticised industrialised countries for their protectionist trade regimes and their inadequate aid contributions (Mosley, Harrigan and Toye 1991a: 22). It had also substantially increased lending in new areas. Small and medium-sized farms, health, education and urban infrastructure were all recipients of increased lending during MacNamara's term as Bank President (ibid.: 21). 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 (Berger and Beeson 1998: 489). 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 ability to recycle enough funds to maintain economic growth and systemic stability' (Mosley, Harrigan and Toye 1991a: 22–3; Berger and Beeson 1998: 489). The global context detailed 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 (Mosley, Harrigan and Toye 1991a: 23).

With Alden Clausen's ascension to the Bank's top job in 1981, there was decisive change in line with the new political economy approach of the counter-revolution. While some sections of the Bank, such as the research department, were more dogmatically neoliberal than others during the early-to-mid 1980s, the Bank, for some analysts, became more diversified than it was under MacNamara (ibid.: 23–4; Berger and Beeson 1998: 491). 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 contrasted starkly with the previous status quo.[6] In short, modernisation essentially acquiesced to neoliberalism in the development policy debate (Harriss 2002: 77).

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' (Williamson 1990). 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 investment; privatisation; deregulation and secure property rights (Williamson 2000: 252–3). As Moisés Naím, (Editor-in-Chief of *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' (Naím 2000: 506). Over time, 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, together with the sources of the individual prescriptions and the main bodies associated with the consensus, as completely homogeneous. 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 (Williamson 2000; Naím 2000: 506). Demonstrative of this divergence, Williamson notes that an emphasis upon competitive exchange rates was not an accurate conceptualisation of Washington opinion. 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. 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 schools at the University of Chicago and the work of Hernando de Soto, rather than being something distilled from Washington. Williamson also makes clear the distinction between earlier forms of neoliberalism and

the consensus that he was describing. For example, he notes that by 1989, when he coined the term, the 'market fundamentalism' of Reagan had already been 'superseded' by a more 'rational' economic policy environment (Williamson 2000: 253–5). These are important points of detail. 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, 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' (ibid.: 251–2).[7] Importantly, my employment of the term 'Washington consensus' in this book 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.

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 (Naím, 2000: 509). However, the deployment of simple neoliberalism had been far from unproblematic 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) noted in the introduction to *Sub-Saharan Africa: from Crisis to Sustainable Growth* the persistence of crisis in Africa, despite efforts by the Bank, the IMF and others:

> 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 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. (Conable 1989: xi)[8]

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. (ibid.)

What is particularly revealing in this report – now two decades old – is the remedial form suggested for addressing sub-Saharan Africa's persistent 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 they must go hand-in-hand with good governance – a public service that is efficient, a judicial system that is reliable, and an administration that is accountable to its public. (ibid.: xii)[9]

Also indicative of SIN's ascendancy 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' (ibid.). These emphases would only gain more momentum throughout the 1990s, as pressures upon simple neoliberalism's legitimacy became more pronounced.

As is made clear below, problems were evident beyond sub-Saharan Africa that related to 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 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. (Davis 2004: 4)

Responding to this, during a major reorganisation of the Bank in 1987, 'Environmental Units' were set up for each of the organisation's regional departments. While initially 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 (ibid.). 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 (ibid.: 13).

Furthermore, throughout the mid-to-late 1980s, the Bank altered the way that it worked with NGOs, hinting at the growing emphasis upon 'participation'. Gloria 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. (ibid.: 4)

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 (Naím 2000: 514). While the consensus presented a relatively basic roadmap for reforms, problems were bountiful. Naím captured this well:

> 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. (Naím 2000: 509)

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 hegemonic, 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' (Berger and Beeson 1998: 492). 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 its implementation. 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 those living on US$4 a day or less rising from two million to over sixty million by the mid-1990s (Stiglitz 2001d: 128–9). 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 (Rodan, Hewison and Robison 2001a: 4).

The limits to the Washington consensus' theoretical underpinnings 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' (Hedlund 2001: 213). Attached to the more traditional benefits regularly accorded to privatisation by its proponents (such as increases in efficiency), it was thought in Russia there would be other 'dividends' associated with the expansion of private property. The formula was a theoretical stretch at best. Neoliberals postulated 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' (ibid.: 215).

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 precedent upon which to base a system of property rights. 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 (ibid.: 216–27). 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' (Johnson 2001: 254). Within this perspective the role of institutional legacies are deemed relatively unimportant and the hardiness and resilience of existing institutional structures is undervalued. 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. 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 (ibid.: 254–5).[10]

However, the dominance of rational choice theory and neoliberalism in the late 1980s and early 1990s 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. This triggered a bout of hyperinflation which wiped out the savings of many Russians, requiring fiscal stringency to attempt to reduce the problem (Stiglitz 2002: 142).

However, hyperinflation meant that by the time the privatisation process began very few people had any money with which to buy into the state assets being privatised. Secondly, keeping 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. 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. 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 (ibid.: 142–3).

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 *compatible* institutional matrix. For example, the social networks, known as *blat*, evident within the Soviet economy, were not examples of institutions that were complimentary or compatible with the impersonalised

neoclassical model of a market (Hedlund 2001: 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 1990s 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.[11]

Adding insult to injury, 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 did not spend, the private sector was starved of capital and the state had nothing it could tax (Galbraith 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 was not 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 per cent per annum (Lozada 2003: 18). But the results of reform were mixed. For a region infamous 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 (ibid.; Naím

1995: 46–7). Furthermore, trade liberalisation prompted a significant increase in intraregional commerce and contributed to foreign capital worth US$66 billion heading to Latin America between 1990 and 1995 (Lozada 2003: 18; Naím 1995: 47). 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 money in 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 (Naím 1995: 49–50). For some neoliberals, Latin America still had 'deeper' issues to address. For Naím, 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 (ibid.: 46). This seemed to imply to neoliberals that a more thoroughgoing approach to reform was required – an approach that expanded the 'role and function' of institutions, including social institutions and the state.

Welcoming the state back in and the Asian 'miracle'

Throughout the 1990s the World Bank had increasingly drawn the state back into its purview 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.[12] This theme of 'drawing the state back in' was developed further in the *World Development Report 1997, The State in a Changing World*. Prior to this, the state had been largely (though not entirely) ostracised from neoliberal development, with public choice logic and the accompanying notion of 'rent seeking' exacting a significant toll. However, now the state was seen as an important 'supplier of institutions' and its reintroduction highlighted the increasing importance of political institutions in the support of globalisation (Rodan, Hewison and Robison 2001a: 12). 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. 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.[13] Secondly, when the Asian crisis hit in 1997, 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 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. 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. When the crisis hit, the contradiction presented by the failure of these apparent model economies actually yielded an opportunity for neoliberals to talk more precisely about institutional form, function and, in particular, integrity. The following deals briefly with an elaboration of the two aforementioned problems sequentially and emphasises the rise of the role of institutions – 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. Indeed, in the early part of that decade Japan had become the principal co-financier of World Bank loans and also the biggest supplier of bilateral aid to Asia. It had also become, after the United States, the second-largest shareholder in the World Bank. By the early 1990s it had become the world's leading manufacturing economy and retained 50 per cent 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. Japan's economic success and its development assistance placed it in an imposing position and it is understandable that Japanese officials, in particular those within the Ministry of Finance (MOF), felt that they had both something to offer the development landscape and a legitimate right to assert it (Wade 2001a: 4–7).[14]

However, despite the impressive track record of the Japanese economy and Japan's 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 neoliberal orthodoxy (ibid.: 14–17). Prior to the *East Asian Miracle* 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 state-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' (ibid.: 10). 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 would not be sufficient to placate the officials within Japan's Ministry of Finance (MOF) who found the report far from moderate (ibid.: 7–12).

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 (ibid.). *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. While the report was funded significantly from a Japanese trust fund (Stiglitz has asserted that the Japanese offer to fund it together with the 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 (ibid.: 18; Stiglitz 2002: 91). The conflict between the MOF and the Bank, and the Bank's concern for neoliberalism, meant that, in the words of Berger and Beeson, the report ended up being 'a profoundly political document' (Berger and Beeson 1998: 495).

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 (Wade 2001a: 23). 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. Notably, it 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 (World Bank 1993: 1–5). 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 could not 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 contested evolution of neoliberalism towards SIN. Indeed, Stiglitz (2001a: 18) later asserted that the *East Asian Miracle* report 'stimulated the recent rethinking of the role of the state in economic development'. However, the report's acknowledgement of the state's role in development did 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 'right' institutional context as being as important to producing 'success or failure as the policies themselves' (Preston 1993: vi). Indeed, Preston's foreword includes an important 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' (Preston 1993: vi–vii).

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.[15]

While the report was not 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-sized enterprises and public housing programmes in Singapore and Hong Kong (World Bank 1993: 157–64). 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.

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.[16] 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 also vital. 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 (ibid.: 167–8). In short, the report's message – one which continues to resonate in the Bank's 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 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. (Wolfensohn 1997: iii)

In the now often-cited report, the state fundamentally matters as a market-complimenting device. As Leen Boer noted, in a feature review for *Third World Quarterly*, the report essentially asserts 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 (Boer 1997: 935). 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. (World Bank 1997: 3)[17]

Capability here is defined as '*the ability to undertake and promote collective actions efficiently*' (ibid.: 4). 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' (Berger and Beeson 1998: 499).[18]

Subsequently, the report is less than ambiguous with regard to what it sees as '*the first job of states*':[19]

> 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
> - Maintaining a non-distortionary policy environment, including macroeconomic stability
> - Investing in basic social services and infrastructure
> - Protecting the vulnerable
> - Protecting the environment. (World Bank 1997: 4)

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 interestingly, an early emphasis upon social capital and civil society) into Bank thinking (ibid.: 114).

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' (Berger and Beeson 1998: 499). 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 (ibid.; World Bank 1997: 3).

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)[20] dovetailed with an increasing tendency within donor circles to talk about 'aid effectiveness'. 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'

(Hout 2003: 7). 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 (World Bank 1998; Van Waeyenberge 2006: 3). Here there was a strong push that fitted in neatly with the Bank's repositioning as a 'knowledge' provider (Van Waeyenberge 2006: 2). 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 (World Bank 1998: 2).

Importantly, *Assessing Aid* was critical in drawing a link between aid 'selectivity' and good governance (Hout 2003: 9). 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. This tendency to correlate aid allocation with policy and institutional factors only became stronger as time went on, and has been used by donors other than the Bank – such as the US Government's Millennium Challenge Account (Van Waeyenberge 2006: 2).[21] What is critical here is that frustration with reform and aid performance was 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 ascendancy.

The Asian crisis and beyond

1997 was not 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 Report*). It was also the start of a tumultuous period for the World Bank, the IMF and their critics, with the onset of the 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 in for significant criticism. Some argued that the IMF and the liberalisation policies with which it was associated had actually played a crucial role in the financial collapse. Specifically, in Indonesia, where corruption and cronyism were cited as massive crisis-related problems, the Bank was heavily criticised for working closely with the Suharto

regime and failing in its monitoring and assessment duties (Guggenheim 2004a: 7). 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 the national and international levels, rather than the sudden result of 'crony capitalism' and rent seeking (Jomo 2000: 25–6). 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 (ibid.: 26–7). Stiglitz, while also not letting the countries off the hook entirely, explicitly stated some time 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 (Stiglitz 2002: 89; Stiglitz 2003).

For the IMF, however, explaining the Asian meltdown came down to fundamental neoliberal concerns (such as large foreign debts and appropriate exchange 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 (Rodan, Hewison, Robison 2001: 18). Former IMF Managing Director Michel Camdessus offered a rather predictable set of 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. Crucially, however, he also highlighted the strengthening of market-supporting policies, emphasising the role of institutions and the importance of accountability and transparency (Camdessus 1997: 5).

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.[22] 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' (Bøås and McNeil 2003: 86). While governance had been on the agenda earlier, 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 (Rodan, Hewison and Robison 2001a: 19; Bøås and McNeil 2003: 87). Demonstrative of this, Stanley Fischer, former First Deputy Managing Director of the IMF and now Governor of the Bank of Israel 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 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. (Fischer 1998)

The IMF's programmes 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. (ibid.)

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.[23] Secondly, the pursuit of the Fund's austerity measures often had serious side effects across societies. 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 (Bøås and McNeil 2003: 87). 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 starvation (Gill 1999; Wade 2001b: 125). 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' (Wade 2001b: 125). 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.[24]

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 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 (Stiglitz 2001a: 18–19).[25] 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 the experiences of 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 (Wade 2001b: 127–8). And while Wolfensohn and Stiglitz shared some affinity of ideas, Summers evidently made his (crucial) support for Wolfensohn's second term as Bank President conditional upon Stiglitz's departure from the post of Chief Economist (ibid.; Fine 2003a).

Further to this, the development of the draft of the *World Development Report 2000/2001* and the departure of its editor Ravi Kanbur (a high-profile development economist) prior to its completion, further demonstrated the pain associated with the Bank's ongoing shift (Wade 2001b: 130). The report, entitled *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 the US Treasury, groups within the Bank and the IMF, and several

high-profile neoliberal academics. Not only was it echoing some of Stiglitz's criticisms with regard to the Asian crisis (and the opening up of capital controls), it also stressed concepts such as 'empowerment', 'security' and 'opportunity', along with the more traditionally neoliberal mainstay of growth (ibid.: 131–2). 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. (ibid.)

It should be mentioned here that the tension associated with the *WDR* was not the first time that there had been controversy over the annual report's production.[26] However, the draft in many ways represented the conflict between Stiglitz's PWC (and the ideas of some of the more progressive factions within the Bank supported under Wolfensohn's tenure) and the more conservative Washington consensus neoliberals within the Bank, US Treasury and the IMF.[27] 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.[28] 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 which also promoted more expansive forms of participation and 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* (ibid.: 132; World Bank n.d. a). The Bank had received positive responses for 'Voices', and, notably, it was led 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 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 (Wade 2001b: 132–4). The published version of the report reintroduced Washington consensus elements in a more robust way:

> 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. (ibid.: 134–5)

Yet the report's final version did allow some of the social development content to get through. 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 (World Bank 2001a: 117–31). The retention 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 at its 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 (Pincus and Winters 2002b: 2; International Financial Advisory Commission 2000). The so-called 'Meltzer Report' (named after the chairman of the 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' (Pincus and Winters 2002b: 2). 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. (International Financial Advisory Commission 2000: 10)

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 (Pincus and Winters 2002b: 2). 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' (International Financial Advisory Commission 2000: 11). 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 (ibid.: 12–13, 82).

However, what was perhaps most revealing in the case of the Meltzer Report was the resistance of the US Treasury to its suggestions. While the Treasury had had its own difficulties with the Bank (or, more specifically, certain elements within it), it was now determined to articulate its support for both the Bank and the Fund in the face of the criticisms contained in the Meltzer Report. Here, the paramount concern was the defence of organisations perceived by the Treasury to be at the forefront of defending US interests. In reply to the report's 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' (US Department of Treasury, quoted in Soederberg 2004a: 72). 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 (ibid.). This fact is also interesting in light of the 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' (Wolfensohn 2002: iv). 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' (ibid.).[29] 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. While the report underlined that there is no single, unique, institutional structure that guarantees market-led development, it reiterated the functionalist line, built up over the previous decade, of institutions as market-supporting structures (World Bank 2002: 5). In short, the *WDR* assembled many of the elements covered earlier in this chapter relating to institutions and markets, and presented some rather vague propositions on how such institutions should be 'built'. Crucially, despite Stiglitz's unglamorous departure from the Bank, the ideas within the report resonated with both his theoretical approach (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.[30]

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, the Bank was now making much louder noises about the importance of 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 [international financial institutions] 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. (Soederberg 2004a: 72)[31]

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 (ibid.: 19; Forgacs 2000: 247–8; Gramsci 2000: 263–7). The formation of SIN and the associated 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 (2000–03) urged a more cautious approach to private sector involvement in some traditional public sector services (Bretton Woods Project 2003a). His successor, François Bourguignon, seemingly amplified and built upon many of the themes that were so problematic in the *Attacking Poverty WDR*, emphasising a concern for social inclusion and equity and airing dissatisfaction with the limitations of understanding the impact of economic policy upon classes within society (World Bank 2003a). Importantly also, the Fund toned down its unreserved endorsement of capital account liberalisation (Prasad, Rogoff, Wei and Kose 2003). However, such emphases – when set against the Bank's broader push – were merely more evidence of the ongoing crisis of legitimacy (or crisis of authority) within the evolution of neoliberalism, complementing the problems associated with the earlier Washington consensus that assisted in generating SIN. And while the current economic crisis has provided some relief from the legitimacy pressures that the Bank and the Fund have faced, given that the Fund and the Bank remain wedded to their contradictory utopian undertaking, we can expect that problems in practice and dilemmas of explanation will continue to plague them in the future.

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 which explains 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 ascendant, and which is promoted by those who have an interest – material and/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 in early market-centred approaches. Indeed, in many ways the market can be considered even more central than previously, for SIN 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 market societies. Importantly, civil society and participatory process are drawn into the neoliberal reform project in an attempt to maintain hegemony of the paradigm and extend its influence through concrete reforms and it is here that SIN really distinguishes itself from earlier forms of neoliberalism. SIN is not just an array of policies to be adopted – it also includes new delivery devices and political technologies (which reframe notions of conditionality) to assist with the constitution of market society.

3

Getting the 'New Basics' Right: the Prescriptive Themes of SIN and their Intellectual Foundations

The previous chapter charted the politico-historical ascendancy of socio-institutional neoliberalism (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, within orthodox circles increasing importance was placed upon the role of institutions in market operation. This growing emphasis was particularly evident in the attention given by multilateral financial organisations to institutions, 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.

'Development's' interest in institutions, with the World Bank at its vanguard, is intellectually underpinned by a distinct lineage of institutional analysis associated with several highly influential (mostly American) economists: new institutional economics (NIE).[1] NIE proponents essentially view institutions as critical to reducing 'transaction costs' and 'information asymmetries' within markets. Modifying some of the assumptions of neoclassical economics (such as the assumption of rationality), NIE is concerned with the relationships between particular institutions that minimise costs (risks) and their impact upon the behaviour of individuals, especially in relation to conducting market transactions. In this chapter we first take a critical look at NIE and then delve into an analysis of SIN's prescriptive themes, paying particular attention to identifying NIE's influence upon them. Crucially, these

prescriptive foci – what I call the 'new basics'[2] – form one half of SIN, complimenting its delivery devices and political technologies (covered in the next chapter).

We saw earlier how a central theme within the Bank's promotion of SIN is the idea that the deep embedding of liberal capitalism is central to reducing poverty. This deep embedding is underpinned by the assumptions of NIE, which now forms the basis for a whole series of interventions for the Bank and neoliberalism to embark upon – allowing significant latitude to specify what markets and societies require to successfully develop. Indeed, this exercise in institutional specification entails a dramatic exercise in neoliberal policy reinterpretation and advocacy, implying potentially massive transformations for state and society.

The identification of transaction costs and market imperfections by neoliberal development protagonists means that specific complexions of institutions are now seen as essential for both the establishment of liberal markets and the realisation of their developmental benefits. Importantly, these NIE-informed prescriptive foci move substantively beyond older Washington consensus fundamentals, entailing nothing less than the construction of *a particular state and society to regulate and support the market and foster growth*. 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, SIN's interest in institutions now includes calls for the supply of human and social capital, which are perceived, respectively, as products of the institutions of education and social networks. Indeed, such foci are often connected to a more rigorous proclamation of the importance of 'good governance', which is now so heavily associated within Bank discourse with a particular role for the state. And while some of the old Washington consensus concerns are still evident (such as privatisation and orthodox macroeconomics), even these have received a makeover, with new institutional tweaks added into the mix.

Looking at NIE and the new prescriptive field that it informs, we should remain cognisant of the fact that some of SIN's prescriptive content enjoys 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 themes, the uptake of these 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. As will be made evident below, social capital, for example, was never consistently endorsed within the Bank. Indeed, while it has a place within SIN, it seems to be in decline. 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 'S' of SIN is also fundamentally associated with 'civil society', 'participation' and 'partnership' (dealt with in the following chapter), all of which continue to be strongly associated with the more immediate goal of implementation.

The intellectual foundations of SIN

Given NIE's core influence upon SIN, this section takes a critical look at this now-dominant approach to understanding institutions. Early NIE theorists, working within the confines of orthodox economics, sought to explain why certain structures like the firm existed, 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, as we shall see, this approach – terminally wedded to liberal methodological individualism – has generated an understanding of institutional function that is grossly inadequate, neglecting as it does the material basis of institutions under capitalism (a trait inherited by SIN at the policy level). The last portion of this section demands that we move beyond the politically anaemic NIE language of transaction costs – to delve into the issues of efficiency of what and for whom, as it were. Subsequently, social conflict theory is presented as a 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. Crucially, amplifying the social conflict thesis somewhat, I argue that there is a material base to understanding the nature of institutional power under capitalism: the power of capital – an understanding countenanced in several of the book's case studies.

Despite its inadequacies, charted in detail below, NIE has arguably had the most significant impact on the study of political economy in the last twenty years, with many of its leading figures rewarded handsomely for their contributions.[3] NIE essentially seeks to modify and extend the contributions made by neoclassical economics, attempting to incorporate a theory of institutions into (orthodox) economics

(North 1995: 17). 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 (Harriss, Hunter and Lewis 1995a: 1, 3; Coase 1988a: 33–55).

Within NIE, 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 (Harriss, Hunter and Lewis 1995a: 3). For example, when two parties consider engaging in a transaction neither party has complete information about the other. Such information, for example, could help each party better predict whether the transaction would be favourable or costly. In such a situation, NIE proponents identify institutions, such as systems of law (incorporating contracts), as providing incentives for both parties to adhere to the terms of their agreement, thus lowering the risk of breeching an agreement and offsetting the costs of asymmetric information. Thus, within NIE, the transaction cost-reducing function of institutions is seen as contributing significantly to the efficient operation of markets. This is a crucial point, implying 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' (North 1990a: 3). 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 (North 1990b: 17). In a world where unlimited rationality cannot be presupposed, individual mental capacity is limited and information is presumed to be incomplete (all of which impose transaction costs), institutions are perceived as the inevitable (though not always efficient) structures that are constructed by humans to facilitate exchange by reducing transaction costs such as risk and uncertainty (ibid.: 17–18).

Pranab Bardhan has noted two distinct strands within the NIE approach that share substantive compatibilities and some 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 (Bardhan 1989: 1389). 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' (ibid.). Both schools 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 see efficient markets as a normative good and certain conceptions of 'important' institutions as a compliment to the realising of efficiency.

Emblematic of the transaction cost school, North identifies two major problems with the approach of classical economics: its negation of institutions and its failure to introduce the dimension of time (North 1994: 359). In contrast, the new upgrade to orthodox economics embodied in NIE retains the assumptions of scarcity and competition and the tools of microeconomics. It also adds the dimension of time and modifies the behavioural assumption of rationality so central to methodologically individualist approaches to economics. It is vital to note here that NIE does not dispense with the notion of 'rationality' – it simply adjusts it, toning down the rigid conception of before, in order to explain why institutions (that are often 'socially inefficient') are established. Here, the concepts of 'bounded' or 'constrained rationality' are vital components 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. (North 1994: 360–1)

Importantly, the last of North's points in the quote above has significant repercussions for, firstly, building institutions in a particular image and, secondly, how we should generally conceptualise institutional function. However, NIE approaches, premised upon methodological individualism, fail to make any definitive statement about the base of power that North notes above. Indeed, NIE's undervaluing of the class power of capital in this regard is innate and this substantively diminishes its utility as an approach for understanding institutional form and function.

This genetic flaw, an epistemological inheritance, is as equally present in the 'imperfect information' school as it is in the 'transaction cost'

school, although the 'imperfect information' camp within NIE, which has exerted considerable influence upon the World Bank, has made more substantive inroads into understanding the impact of information upon particular equilibrium states and proposing institutional 'fix-its' to low-equilibrium situations (Hoff and Stiglitz 2001: 389–459). As Bardhan notes:

> 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. (Bardhan 1989: 1390)

For Stiglitz, writing within this school in the late 1980s, individual rationality (reasonably consistent behaviour) could still be assumed (Stiglitz 1986: 257). 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.

From this perspective, certain institutional structures ameliorate the problems that insufficient information, or uncertainty about the quality of information, generate. Thus, signals that convey information – such as guarantees for products, or the amount of education that a particular individual has received (indicating an individual's potential ability) – are important devices highlighting the centrality of information to market function. The reality that individuals might want to conceal information (when it is to their advantage to do so) is also emphasised (Stiglitz 2001e: 495–6).

As we will see below, this school has had a palpable influence on the World Bank and SIN – with Stiglitz being one of its main exponents.[4] The approach has some utility in assisting us to understand unequal development and implies reasonably progressive policy (in respect to political transparency, accountability and even democracy, for example

(Hoff and Stiglitz 2001: 426). However, in the end the imperfect information school suffers many of the same deficiencies associated with the transaction cost school discussed above – especially in relation to undervaluing power. While an acknowledgement 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 (ibid.: 490), bound by methodological individualism the imperfect information school informs an approach to development that would seem to have modest potential at best – in terms of both outcome and implementation. For example, policies and programmes related to the transfer of very particular forms of 'knowledge', and the importance of accountability and transparency in market operation are elevated as key interventions for realising improved outcomes, while ignoring critical issues pertaining to redistribution of capital and technology. Crucially, there remains the critical issue of institution building itself – with little evidence to suggest that the interventions that the imperfect information school underpins have discovered the 'grease' that facilitates the move from an 'old equilibrium' to a 'superior equilibrium' (ibid.: 396).

Putting some class back into institutions: social conflict theory

In stark contrast to the approach of NIE, and significantly underpinning the critique of the new basics in the next section and the further investigation of SIN in later chapters, is that of social conflict theory. Social conflict theory offers a preferable analytical alternative to understanding institutions to the methodologically individualist assessments of NIE above. In social conflict theory, power – in particular class power – is placed at the very centre of the analysis, being the most essential quality to focus upon when describing a social structure or set of structures (Rodan, Hewison and Robison 2001a: 8–9). From this perspective, institutions are not simply viewed as efficiency mechanisms – they facilitate power allocation for classes. This does not 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, if the definition of efficiency remains general and individualist (as it does with both schools of NIE) it remains problematic – all the more so when it underpins prescriptions for poverty reduction.

The 'job description' of social conflict theorists is very different to that of NIE practitioners, concerned as the former are with mapping out the interests and conflict associated with class relations and global capitalism that give rise to specific complexions of social structures (Hewison 2001: 77). In this approach institutions and policy are seen as being socially constituted – that is, subject to the influences of social and political power. Furthermore, markets, from this perspective, are not abstract – they are political constructs (Chaudhry 1994: 2–4). Neither are they natural or apolitical. Indeed, 'Wrenching social struggles precede and shape the rules that govern the economy' (ibid.: 4). 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 (ibid.: 5).

Drawing from this perspective and amplifying aspects of it, the products of institutions (whether they are economic capital, social capital, human capital, or other forms of individual or collective gain, etc.) should be thought of as forms of power fought over by class forces. Power, in turn, influences the composition of individual institutions and institutional matrices that produce and allocate this power. 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. Importantly also, class divisions are essential lines of demarcation in explaining the capacity or lack thereof to 'build' institutions and benefit from their output. Because existing institutions are the product of particular political amalgams that emanate from conflict between interests, efforts to change existing structures are fraught with problems, challenging as they do existing formations of power (institutions are the infrastructural embodiments of the powerful). Notably, this insight has implications for SIN reform processes, 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 (Rodan, Hewison and Robison 2001a: 7). Alternatively, reform might be (often temporarily) possible if it helps to weaken the position of competitors to existing elites (ibid.). Vitally, however, the point is that power, and in particular class power (which under capitalism rests with capital as

a social relation), should be central to any approach to understanding both institutional form and function. Its neglect in NIE translates into highly problematic prescriptive themes, as the next section suggests and, later, the case studies make clear.

NIE's underpinning of the new basics

Putting aside for a moment the deficiencies of NIE, let us briefly consider what NIE facilitates for organisations like the World Bank. In short, NIE allows a whole new liberal effort oriented towards specifying the particular frameworks purportedly required for successful development (which is now significantly seen as related to the existence of particular institutions and their capacity to reduce transaction cost and address information asymmetries). 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. 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' (Evans 2004: 30–1; Gill 2000).

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 moves 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 (a stunning example of the way that SIN allows the extension of orthodox economics into previously uncharted territory).

The institutional specification by the Bank in the NIE image reiterates that the responsibility for development principally remains the preserve of national (and local) governments. Not unrelated, the project also conveniently diverts attention away from the inadequacies (past and present) of multilateral and bilateral development agencies, not to mention the historically-entrenched structural impediments to more equitable global development (such as rigid systems of property rights over important technology, narrow capital flows and other asymmetries

derived of earlier processes of accumulation). What is actually being specified within the SIN approach of the Bank (which draws heavily upon NIE) is nothing less than systemic political interference (with social engineering qualities) on a grand scale.[5] The crass simplicity of structural adjustment has now given way to a project to overhaul the institutions of state and society for the market. We turn in this section to a critical analysis SIN's new institutional specification – the new basics.

Good governance and attempting state homogeneity

It makes sense to begin our investigation of the new basics by looking at the most central of them all – good governance. In one way or another, many of SIN's prescriptive themes relate to good governance, and good governance also presents an unambiguous illustration of how NIE has ubiquitously influenced Bank policy. While the Bank's emphasis on good governance predates the consolidation of SIN, the concept has now been greatly 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.

Over the last decade and a half, good governance has proved useful for the Bank in legitimising the persistence of negative reform-related issues. As Bøås and McNeil have emphasised (and as was highlighted in chapter 2), governance was a particularly attractive concept to the Bank given the experience of structural adjustment, especially in relation to Africa (Bøås and McNeil 2003: 67–9). Notably, emphases upon governance provided both a way of explaining the Bank's structural adjustment failures in Africa and a justification for a new direction.[6] Interestingly, this use of good governance was equally useful to the IMF in explaining the shattering of the East Asian 'miracle' in the late 1990s (see chapter 2). Nevertheless, good governance, albeit in an expanded form, is now a central component in the Bank's prescriptive platform, and has played a critical role in the relegitimising of the organisation's work and neoliberalism more broadly.

The Bank's governance agenda takes a highly functionalist approach that stresses the '…economic, management dimensions of governance' (ibid.). 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 for the market. As we will see, the homogenised institutional set associated with the Bank's promotion of good governance implicitly and explicitly endorses 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 World Development Report, Building Institutions for Markets*, lucidly details what the Bank means by good governance. In short, it emphasises four core areas with which the state should be concerned: the establishment and protection of property rights, the provision of market-compatible regulation, adherence to neoliberal macroeconomic policy and the absence of corruption (World Bank 2002: 99). Each of these deserves some 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 complimentary 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, *WDRs* from 1997 on make clear that one of the most important tasks for government is the establishment of a foundation of law and property rights (World Bank 1997: 41; World Bank 2002: 99, 129; World Bank 2004a). Within this prescriptive precondition for liberal markets, three subconditions 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. The tasks projected onto 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 critical in providing particular signals and incentives to economic agents (World Bank 1997: 41–3; World Bank 2002: 5, 129).

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 (Ames, Brown, Devarajan and Izquierdo n.d: 5). 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 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 (ibid.: 8–17).

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 (Stiglitz 2001a: 27; Aybar and Lapavitsas 2003: 28). Here, the influence of Stiglitz's work on asymmetrical information and its connection with financial system regulation is clearly evident (Stiglitz 2001a: 29–33). Indeed, an entire chapter of 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 important from this perspective is that policy makers improve the 'legal and regulatory environment' in order to facilitate the availability of accurate information to instill 'quality' forms of 'effective' market discipline (World Bank 2002: 76).

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 (Stiglitz 2001a: 31). 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 (World Bank 2002: 142). With respect to infrastructure, the Bank's preference for the private provision of infrastructure remains clear (as it did in the Washington consensus), however, here too regulation and competition are both now seen as having vital roles.[7]

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' (World Bank 1997: 102). 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' (World Bank 2002: 105–6). Again, here the concerns are market-centred and intimately linked with the logic of NIE and, in particular, asymmetrical information. Corruption, from this perspective, impacts upon investor confidence and foreign direct investment, raising costs and undermining competition by deterring new firms from entering the market (ibid.: 106). It is also seen as undermining public trust and 'corroding social capital' (World Bank 1997: 102–3). The cure relates to improving information flows through a range of accountability and transparency efforts involving the press and civil society, and even particular electoral arrangements and decentralisation pushes (World Bank 2002: 107–10).

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 fundamental concern of the state, providing as they do the bedrock for embedding and maintaining liberal markets (which are seamlessly linked with 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 neoliberal ideology, and issues pertaining to the political nature of their embedding.

Dealing very briefly first with the political content of the good governance prescriptions themselves, there is obviously little doubt about the logic that underpins it, which is essentially premised upon the poverty reduction potential of 'ideally constituted markets'. However, there are certain issues challenging the simple causal connections implied by the prescriptions within good governance. For example, the protection and enforcement of the property rights of some 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, several tensions exist within

the Bank's dominant approach to corruption. Most prominent among these is that for the Bank corruption is 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.[8] Another key problem with the Bank's handling of corruption is the rather niggling reality that systemic corruption can co-exist happily with impressive development outcomes (see chapter 7 on Vietnam, for example).

There also exists a meta-problem with the Bank's approach to good governance, a problem which plagues SIN in general. The good governance framework of SIN, heavily imbued as it is with a particular ideological logic, depoliticises the issues to which it turns its attention in a most political manner. At best, the approach undermines pluralism by advocating policy sets and institutional structures that are pitched as 'beyond politics', suffocating the popular consideration of alternatives. 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 constitutes good government, this should in no way be confused with 'democracy' (in any form) or 'pluralism'. 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' (World Bank 2002: 99). Here, the depoliticising tendency within SIN is notably evident. Highly political issues are reconceptualised as technical issues of 'governance' that should be removed from contestation. 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 – issues of class power. These dichotomies within SIN's attention

to good governance derive from its focus upon capitalism as requiring certain functional institutions to function optimally, rather than understanding capitalism as an inherently conflict-prone and contradictory system that plays host to antagonistic social relations.

We should be clear here about just how deeply 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 (ibid.: 101–16). 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' (ibid.: 103). 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 benefits attending pluralist forms of representation is conspicuous in its absence. The predominant point of interest in such areas are first and foremost the institutions (and the politics associated with them) that get in the way of establishing market society.

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 as one and the same. The issue, from this perspective, is getting the patient to take the right medication and follow instructions. Importantly, all of this is done for broader than national goals, however. Indeed, good governance can be thought of as an important part of what Gill has called new constitutionalism[9] – the attempt to institutionalise 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. (Gill 2000: 15–16)

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 endorsed across the board, 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 also from 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 8), in isolation the prominence placed upon social institutions and social capital by the Bank has perhaps been overemphasised. While many within the academe became interested in the Bank's attention to social capital and social institutions, 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.[10]

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 as simply 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 book 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 8 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 (Harriss 2002: 81–2). 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 2). 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 impersonal, individuated economies of the West' (Biggart and Castanias 2001: 471–2). 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 (ibid.: 471–7).

Although now on the wane, over more than a decade the Bank (especially the Social Development Department) 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 the concept (World Bank n.d.b). 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) (World Bank 1997: 114–15; Fine 1999: 4). Finally, social capital has made it to the field also, influencing significant Bank projects on the ground (see chapter 8).

Social capital has somewhat confusingly been used in myriad ways, over time, and has several distinguishable broad strands, each differing rather dramatically.[11] For example, it can often mean networks or norms themselves, the benefits derived from them or '…*anything* ranging over public goods, networks, culture etc.' (Fine 1999: 5). As Fine 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' (ibid.) 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 (Putnam 1992: 167).

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 (Bebbington, Guggenheim, Olson and Woolcock 2004: 41; Harriss 2002: 1–2; Fine 2002: 213).[12] Putnam's work has strong intersections with new institutionalist economists such as Douglass North, and can be traced back to the work of the late American sociologist James Coleman (Fine 2002: 213; Putnam 1992: 163–85).[13] Importantly, Coleman used social capital as an explicit attempt to introduce '…social structure into the rational action paradigm' (Coleman 1988: s95). 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 (showing much compatibility here with the imperfect information school of NIE) that facilitates action (ibid.: s102, s104; Harriss 2002: 19).

Notably, 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 utility because they can assist people to operate and exist within the market (World Bank 2001a: 117).[14] 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. (ibid.: 128–9)

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.[15] As a concept it has been expanded and effort has been expended on 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*) has never achieved any real consensus in several fundamental areas. For example, writing for the Bank, Christiaan Grootaert's approach to social capital gives 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 1998: 6, 9; Harriss 2002: 9). 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.[16] 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' (Harriss 2002: 29).

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 (Grootaert 1998: 5–6).[17] Another unexplained, or less convincingly explained, contradiction is that even when 'social capital' is evident in poor communities it often does not seem to help achieve significant positive socioeconomic movement for those communities.[18] Additionally, the reality of good and bad social capital is also problematic for some of the social capital literature.

However, the unconvincing 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 is not 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 (World Bank 2001a: 128). 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. 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 environment of any development agenda) is a fundamental issue that these authors do not address.[19]

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 (personalities 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 (Bebbington, Guggenheim, Olson and Woolcock 2004: 57). 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.[20] This said, social capital at its most sophisticated (e.g. 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, which is to be delivered with 'ownership' and 'participation' (see the next chapter).

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) and which is important within the new basics of SIN is the attention to the role of safety nets and 'risk management' within market-led development. This attention is also, once again, demonstrative of the influence of NIE, with risk seen as a transaction cost or the result of asymmetric information that can be reduced by institutions. 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*. 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. (World Bank 2001a: 135)

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. (ibid.)

What is notable here is that the responsibility for risk mitigation and reducing the vulnerability of the poor falls largely on the poor themselves. This ignores the structural situation in which the poor find themselves, 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 (ibid.: 138).

Another closely related concern in the Bank's now-prominent emphasis upon safety nets, which is central to the project of SIN, is the issue of securing neoliberal reform.[21] Here, the promotion of workfare programmes, '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' (ibid.: 146–7; World Bank 2005a: 12).

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. For him, market-based social policies, such as workfare programmes, are significant in that they substantively alter the relationship between the state and citizen, resorting to a '… distinctive form of contractual governance' (Jayasuriya 2004b: 309), which can result in illiberal outcomes. The emphasis here is on

perpetuating and managing the norm of 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 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. (ibid.: 309–10)

So, in total, the social safety net approach of the Bank is obsessed with making sure that liberal markets become further embedded and function efficiently. What is important here is ensuring that people have risk reduction and mitigation strategies (that operate in concert with risk coping strategies), while guaranteeing that the price of labour is 'distorted' as little as possible. Essentially, the strategies are seen as allowing the poor to be less risk-averse as market participants and limiting the '…unwanted distributional effects of policy reforms' (World Bank 2001a: 147) – 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 (Jayasuriya 2004a: 11, 15; Jayasuriya 2006b: 10). 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 a productive proletariat: the roles of 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 and growth. 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 (Fine and Rose 2003: 41–2). 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 (World Bank 1999: 2–3).

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' (Cammack 2004: 193). 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. (ibid.)

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' and 'opportunity gaps' (World Bank 1999: 8; World Bank 2005a: 11). 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 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 (World Bank 2003b: xvii). 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 – 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 (ibid.: 2).

The report describes the 'four pillars' 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 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. (ibid.)

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' (ibid.: xix–xx). The private sector is also seen as playing an increasing role in education, 'challenging and complementing' the public sector, alleviating fiscal burdens and 'promoting innovation' (ibid.: xviii).

There is also an unsurprising preference for market-friendly 'cost-sharing' funding arrangements for lifelong learning.[22] 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 (ibid.: 73, 76, 78). Subsequently, education simply becomes

another investment, where individuals take the risk of investing in their advanced education (accruing human capital) in expectation of reaping the future private rewards.[23] 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' (Fine and Rose 2003: 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. Notably, human capital theory reduces education to a cost–benefit analysis for both individuals and the general economy. 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. 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' (ibid.: 157–61). Even the recent recourse to 'equality of opportunities' – evident in the *2006 World Development Report*, which draws upon the influence of Amartya Sen's capabilities approach and focuses upon the likes of human capital (and health) as important for evading low-income traps and generating a productive proletariat, does little to address dealing with said lacunae (World Bank 2005a: 132–48; Sen 1999). Much like the notion of social capital covered earlier, one is left thinking that what really matters for tackling issues of material improvement remains outside 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 and supply the market with one of its most important inputs – productive labour. 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.[24] Crucially, from this position, the market should ideally provide most education 'services' which should be related to training and socialising people to become productive market citizens. In short, the attention to education through the lens of human capital by the Bank is yet another element in the attempted embedding of market society.

Conclusion: complementarity within the new basics

This chapter has argued that NIE 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' and 'information asymmetries') are systemic flaws which poor countries can ill afford. An explicit recognition of the connection between power, and in particular class power, institutions and the allocation of resources and opportunities must be paramount in understanding environments of intense scarcity and conflict. Institutions are social structures that allocate power, often in dramatically uneven ways. Importantly, we can be very specific about the nature of those allocations of power – aligned as they are with the interests of capital.

Somewhat ironically, these questions are not simply concerns for those interested in more equitable development – they are also of interest to 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 had 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, as we will see in the coming chapter, this political challenge for the broad neoliberal institution-building project has not stopped the Bank developing particular reform delivery devices and political technologies that attempt to circumscribe impediments to implanting neoliberal institutions. Crucially, however, the degree of success that these mechanisms have is, to say the least, highly varied.

This said, the nexus between the different elements of the new basics, underpinned by NIE, 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, in SIN's new basics we see a set of complementary prescriptions that are designed operate harmoniously together in a large-scale institutional re-drawing of society.

Yet, on the whole, the prescriptions of SIN, like their NIE foundations, are open to substantive challenges owing to 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 capitalism, only now it also requires a 'sensible' complimentary institutional set to ensure growth and provide the necessary preconditions for that growth. However, the institutions endorsed by the Bank, should not be understood as technically ideal – rather they should be seen as representing particular ideological biases and material interests. Furthermore, there is nothing technical about creating this institutional set or its impact subsequent to implementation. As we will see in later chapters, NIE's influence upon SIN has generated projects and policies that bear this out.

4

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

The previous chapter looked at socio-institutional neoliberalism's (SIN) new prescriptive set – the new basics – and its theoretical foundations: new institutional economics (NIE). The purpose of this chapter is to detail the other half of SIN, what are described in this book as 'delivery devices' and 'political technologies': that is, those mechanisms and methods that are used by the Bank in its attempt to embed the new basics. In short, SIN builds in particular delivery devices and complementary political technologies in an effort to attend to the biggest frustration of the engineers of market society: implementation.[1] These elements in SIN are critical in distinguishing between the Washington consensus and the PWC. In the past, neoliberalism had, of course, deployed particular delivery devices in the form of projects and programmes (notably those of 'structural adjustment'). 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 an all-enveloping institutional set (covered in the previous chapter) where previously they simply demanded certain specific 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') that are intently focussed upon implementation, in part by building coalitions of support through partnerships and participatory arrangements and circumventing and containing reform resistance. In tandem with the new basics, these delivery devices and political technologies imply significant ramifications for state–society relations, with SIN's composite form incorporating both a normative blueprint for the remodelling of state and society (to establish market society) and a form of anti-pluralist politics to achieve that blueprint.

We should begin this chapter's analysis of SIN's delivery devices and political technologies by reiterating their respective definitions (established in the book's introduction). Put simply, SIN's delivery devices are those instruments that attempt to deliver the new basics. They include the now-(in)famous Poverty Reduction Strategy Papers (PRSPs), the increasingly 'participatory' Country Assistance Strategies (CASs), and individual projects and programmes.[2] Political technologies are those methods and tools that attempt to shape the political terrain towards reform delivery. Here, an emphasis upon policy-focused 'stakeholder' participatory processes and 'partnerships' are key examples, as is a progressive-sounding lexicon that includes words like 'holistic' and 'empowerment' – words attached to a very specific notion of politics that belies their traditional definitions. Together, these delivery devices and political technologies warrant substantive attention in any discussion of the PWC. Unfortunately, such foci have been undervalued in the critical literature, which has focused predominantly upon SIN's policy prescriptions.[3] Considering the importance of SIN's delivery devices and political technologies further emphasises the politics of the project that the World Bank is engaged in and brings us back to the crux of understanding SIN's relationship with implementing neoliberal reform. This analysis is further consolidated in the case study chapters.

We should be clear from the outset that much, like the new basics, in total and in isolation SIN's delivery devices and political technologies exhibit an anti-politics tendency. Indeed, these delivery devices and political technologies attempt to shape domestic (and supranational) 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 6).

This chapter first outlines and provides a critique of what can be understood as the *über*-delivery device of SIN – the World Bank's Comprehensive Development Framework (CDF). Essentially, the CDF provides a structure for advocating and normalising SIN's highly specific

institutional set – the new basics – at both national and supranational levels. It also encapsulates many of SIN's broader themes (such as empowerment and holism) and establishes formative definitions to these themes that are considerably different to their more traditional meanings. Importantly, it is crucial that we look at the language of SIN itself (as a political technology emanating from a delivery device – the CDF) as more than just a product of public relations. Such a discounting of SIN's linguistic content would be to undervalue the meta-governance structure to which it is a part – a structure connected to very real political processes designed to move forward a highly political project. For example, 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 very rigid conception of 'knowledge' which embodies ultra-functionalist roles for 'civil society', specific forms of participation' and a locking-in of the new basics.

The second section of the chapter looks at two more critical delivery mechanisms of SIN – the PRSPs and CASs – both of which are related to affecting change at the national level and below. Both of these, along with individual projects and programmes that are associated with these devices, constitute the 'business end' of SIN, and owe a considerable debt to the thematically concretising CDF. Importantly, these devices bundle up for delivery the ideas highlighted in the previous chapter. However, such 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 hospitable 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 (covered in the final section of this chapter).

All of this challenges SIN's progressive-sounding language, substantively. What in fact is being attempted is nothing less than the deep embedding of market society with an attendant bundle of norms attached to a very specific form of citizenship. This form of citizenship permits citizens to be producers, consumers and market-society constituters, while seeking to inhibit the claims that individuals can make upon the state that are incompatible with the market-society project. 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 ambitious nature of it as a political project and rendering illusory its apolitical, 'common sense', projection. In essence, the Bank seeks to embed a set of highly political prescriptions by using a combination of tools and methods specifically designed to overcome the implementation issues of the Washington consensus. However, as the forthcoming case studies in chapters 5 to 8 make clear, the limits of these delivery devices and political technologies are more than evident in their ability to circumvent reform impediments.

The *über*-delivery device of SIN: the Comprehensive Development Framework

Launched in early 1999, and having an indelible catalysing effect that continues to resonate throughout orthodox development practice, the Bank's CDF is an *über*-delivery device centred around four key principles that, while seemingly indicating otherwise, are designed to encourage/force (depending upon the leverage operating) countries to participate in hegemony. The four principles – having a long-term strategy; 'country ownership based upon participation'; 'partnership'; and 'development results' – intend to normalise the prescriptive content covered in the previous chapter and connect it with particular delivery devices and political technologies that have now come to dominate the development agenda, virtually suffocating all other alternatives in the process. Notably, the CDF has drawn criticisms from various groups and individuals across the political spectrum and the use of the term has subsided somewhat in recent times (Fidler 2001: 45–6).[4] However, it is important not to undervalue the foundational significance of the CDF, pulling together as it does SIN's core meta-themes, all of which continue to permeate SIN's myriad instruments and methods. For example, the CDF has influenced the Poverty Reduction Strategy Papers (PRSPs) and Country Assistance Strategies (CASs) – two core instruments in the relationship between the Bank and individual countries which, in turn, influence in-country projects and programmes (World Bank n.d.c).[5] Importantly, the CDF's themes are also present in the work of other organisations that similarly seek influence at the country level. In this regard, CDF principles are found in the IMF's Poverty Reduction Growth Facility (PRGF) – the Fund's low-interest lending facility for low-income countries. Furthermore, the CDF (and the PRSPs) directly links up with the United Nation's Millennium Development Goals (MDGs) and dovetails very neatly with the 'aid effectiveness' agenda

championed by the Organisation for Economic Development and Co-operation's Development Co-operation Directorate (OECD n.d; World Bank n.d.f).[6]

In an effort to distinguish the CDF from the Washington consensus, the Bank sees the CDF not as a normative 'blueprint' but rather as constituting a 'compass' for development (World Bank n.d.d). This said, in reality the CDF constitutes a high-level attempt to normalise a preordained form of development governance that includes apportioning very specific functions to government and society, not to mention the benchmarking of progress in implementing this form of governance (with benchmarking playing an important role in the reorientation of conditionality). Ostensibly belying this technocratic approach, however, the CDF optimistically endorses a recognition and consideration of the social, environmental and human aspects of development – characteristics that give it a distinctly progressive facade. Moreover, the Framework is promoted as an acknowledgement that the nature of the Bank's 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)' (ibid.).

The CDF also emphasises the importance of 'partnership' between the Bank and its key development partners: civil society, business, donor organisations and government. More than this, however, the CDF exhibits a veneer of choice, with the country conceived as being 'in the lead', 'owning' and 'directing' the 'development agenda'. However, such notions of partnership, leadership, ownership and direction come with very real conditions that are hardly indicative of a new pluralism within development practice. Indeed, overall, the CDF mechanism constitutes a meta-structure for a highly instrumentalist approach which entails 'owning' and 'leading' *the* version of 'holistic development' that is uniformly prescribed and endorsed by the Bank. Within the CDF, a country cannot just address broad societal issues in any particular way – it must have a plan that draws from the new basics and instil a set of politically-rigid participatory and partnering arrangements to realise that plan.

It is worth looking at each of the CDF's principles in turn, to understand the Framework's role as an overarching mechanism of SIN. The first principle in the CDF is centred on a country having a *'holistic' long-term vision* instantiated in a development strategy (ibid.). For the Bank, the particular vision that a country develops must draw from all of the other CDF principles and, crucially, *must demonstrate a commitment to*

the new basics, linking up with SIN's lower-level delivery devices (such as PRSPs and CASs). This point is generally important for understanding the CDF as promoting 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 (within the analytical boundaries of neoliberalism) 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 based on 'concreteness', 'realism' and country specificity. Of central importance in practice, the vision is also to be coupled with a shorter-term 'strategy' (such as a PRSP – covered later in this chapter) that provides a more immediate explanation of how a country is to progress towards embedding SIN (ibid.).

Two issues come immediately to mind here which 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 predominantly remain national issues and that, subsequently, the solutions to these problems are predominantly national ones which involve the patient ingesting large doses of SIN – the 'remedy' to underdevelopment.[7] While a truly *comprehensive* development framework would recognise that many of the issues that countries face in developing are located above and beyond national borders and owe much to the historical/political nature of development, this fact receives no substantive attention in the CDF. This is a deeply problematic issue within the CDF that also comes up repeatedly in SIN's prescriptions. For example, the attention to trade in the CDF is telling, with the Framework exhibiting very little recognition of the barriers above and beyond the borders of the developing world, not to mention the barriers to productive technology that make trade and accumulation feasible (World Bank n.d.d). In short, the national-level focus of the CDF assumes the utopian pursuit of an idealised global market society as a realistic undertaking and encourages the transformation of national economies to best 'fit' this reality and 'reap the rewards'. Secondly, the CDF also presumes that a 'shared vision' can exist based around the World Bank's agenda at times of relative scarcity and where massive conflicting material interests abound (conflict which 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 – based upon

SIN – can exist and be unproblematically 'managed' is open to significant question (as is made evident in chapter 6). This issue of ability to build consensus also resonates with the CDF's handling of 'ownership' and 'partnership'.

The second principle in the CDF is *country ownership* of the development agenda. In the CDF, country ownership means that there is political countenance for the development strategy as demanded by the CDF's first principle and the 'projects, programmes, and policies for which external partners provide assistance' (World Bank n.d.e). Although this sounds incredibly progressive (ownership typically implies choice for the 'owner', which in this case is a poor country), country ownership is supposed to be generated through the government attracting the 'sufficient support' of key 'stakeholders' (including line ministries, civil society and the private sector) for the explicit task of implementing the national development strategy. It also necessitates that the government exhibits the requisite institutional capacity for implementation. Importantly, *country ownership* does not require complete or even majoritarian political consensus within a country, but just enough agreement to achieve implementation of the prescribed policies and programmes (ibid.).

Country ownership blends almost seamlessly into the third principle of the CDF: *country-led partnership*. Within the CDF, *country-led partnership* entails establishing particular connections and processes (political technologies) between critical stakeholders (governments, civil society, the private sector, the multilateral organisations and national donor agencies) to achieve 'alignment, harmonization, and coordination' (World Bank n.d.f). The call for alignment is a general one to all stakeholders listed above to adhere to the national strategy. The demands for harmonisation and coordination are about reducing the transaction costs associated with overlapping processes and making greater use of country systems. This last aspect of country-led partnership is understandable given that recipient countries have been '… drowning in donor bureaucracy for decades' (Bretton Woods Project 2003b). But as the Bretton Woods Project has made clear, the major problem with the Bank's work stems not from the harmonisation of procedures but from the '… standardization of donor policies' (ibid.). These two distinct features of harmonisation of procedures and standardisation of donor policies are conflated in the CDF approach as one and the same. This should come as no surprise, given that SIN is the result not of serious self-reflexivity but rather the frustration of market-society engineers with implementation. This coerced homogeneity places the

CDF in a stark political context that belies its language of ownership, partnership and holism. Both *country ownership* and *country-led partnership* imply a technocratic conceptualisation of government and indeed society, which spirits away political contestation, replacing it with an expert's dream of achieving efficient policy harmonisation through the establishment of new relationships and new processes of policy management. The idea of allocating such a role to governments in countries of the Third World, characterised as they are by their global marginality, weak bargaining positions with regard to external partners and extremely uneven distributions of resources internally, seems fanciful if not deeply disingenuous. The problems here go beyond the technical aspects of consensus building – indeed, they challenge the very validity of employing the terms 'ownership' and 'partnership' in the way that the CDF uses them. That the 'vision' to be 'owned' involves a consensus between foreign and domestic 'partners' around neoliberalism, in historically and politically constituted environments of high-leverage (inherent in the lender–borrower relationship), is but one example challenging SIN notions of both ownership and partnership in the CDF. The reality of entrenched elites regularly abusing their relationship with the state to exploit the poor in the underdeveloped world is yet another (see chapters 5, 7 and 8). This said, because SIN requires the embedding of a certain policy set within the state it is necessary that attention be given to how this embedding takes place. Subsequently, the highly contentious CDF concepts of ownership and partnership are mobilised, though as the case studies later attest, the terms accord poorly with their popular connotations in practice.

The final principle in the CDF, *development results*, serves to complete the new homogenising matrix – constituting an important part of SIN's new approach to conditionality. The focus upon results was perhaps an inevitable inclusion in response to the crisis of legitimacy that the Bank faced from its broad array of critics – including those in the north (especially the US) concerned about the use and abuse of taxpayer contributions to the Bank (see chapters 2 and 7) (World Bank 2003d: 1). Subsequently, it is unsurprising that the results that matter most within the CDF (and SIN) relate overwhelmingly to a poor country's ability to fulfil the tasks demanded of it by the first three principles of CDF. Crucially, the Bank sees the PRSPs (which are dealt with below) and their associated 'annual progress' reports, which detail policy goal progress and other 'monitorable indicators', as important in this process (World Bank 2001b: 9). In turn, PRSPs ostensibly form the basis for producing 'results-based Country Assistance Strategies' (also

dealt with below) – which, in an important arrangement for locking in conditionality, require Bank Board approval and determine a given Bank country programme. Particularly indicative of this approach to results, which places the onus upon recipient country in charting its progress towards implementing SIN, are the problems that the Bank has identified in the area of 'development results'. Here, issues of country capacity 'to select appropriate goals' and the 'perception' by countries that results frameworks are externally imposed are identified as areas of concern, with no recognition of SIN's fundamental inability to measure the inherent political constraints (beyond those that affect SIN's implementation) upon *development as a process*, rather than development as practice (ibid.: 5).

In sum, the CDF's progressive veneer masks an intensely instrumentalist meta-framework for embedding SIN. We can assume that if a country needs funds from the Bank, then it will most likely *articulate* (though not necessarily practice) a familiar long-term strategy (charting a trajectory towards establishing market society) and display a willingness to own what it has to own in terms of prescriptions (the new basics embodied in/implied by the strategy adopted). It is perhaps also to be expected that efforts will be made towards both forming partnerships of necessity, instilling new policy-making processes and benchmarking to the limits of capacity and interest (embracing the new delivery devices and political technologies of SIN). While this approach often meets its political match in practice (as the case studies in this book attest), its constrictive structure affects, in one way or another, the entire range of SIN's instruments and methods at lower levels.

Delivering 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 and CASs was briefly noted above. However, it is important to look at these delivery devices individually, as they each play an important role in attempting to embed 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 and which echo the CDF's core tenets faithfully (Wolfensohn and Fischer 2000; Tan 2006: 148–9; World Bank n.d.c). The PRSPs emerged at the end of 1999 out of an agreement by the Bank and the Fund for nationally owned poverty reduction strategies and are instruments designed *to apply the CDF in practice* (World Bank 2000a: 18).

To date, over 50 interim PRSPs (I-PRSP) and almost 90 PRSPs have been presented to the Bank Board (World Bank n.d.j).[8] PRSPs are development strategy documents prepared 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 also to secure debt relief through the Highly Indebted Poor Country initiative (HIPC) (International Monetary Fund 2006).[9] An I-PRSP is prepared when a particular country is not in a position to prepare a full PRSP, allowing a borrower to demonstrate a commitment to the values of SIN and thereby gain concessional lending or debt relief, while also providing a plan for the development of a full-blown PRSP (World Bank n.d.k).

In line with the CDF's emphasis upon results, 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 support of Fund and Bank Boards stands as a prerequisite for HIPC countries reaching a *decision* or *completion point*, approval of the Fund's PRGF and/or IDA lending. Directly connected to the various PRS documents, Joint Staff Advisory Notes (JSANs) – previously Joint Staff Assessments (JSAs) – are presented to the Boards of Executive Directors of the Bank and the Fund, providing perspectives on a country's progress with respect to implementing its Strategy. While the earlier JSAs were expected to advise whether a PRSP constituted grounds for providing concessional assistance, JSANs have dropped this explicit connection, with responsibility in this regard shifting to the CAS (covered below) (World Bank and International Monetary Fund n.d.). However, notwithstanding this, the Boards of the Fund and the Bank endorse the various PRS instruments (including the annual reports) based on JSANs (Van Waeyenberge 2006: 18).

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' (World Bank n.d.c). The Bank's role in the PRSP process is seen in a facilitative light as providing 'technical and financial assistance to support designing and implementing national poverty-reduction strategies' (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 – see chapter 7), which come with important benchmarks for assessment (ibid.). But

belying the facilitative sentiment that the Bank endows the PRSPs with, the potential depth of influence implied by PRSPs is significant in the ongoing relationship between Bank and member country, with the instrument an important part of a new approach to structural adjustment that synchronises with other elements in SIN. In actuality, the PRSPs entail nothing less than a country demonstrating that it intends to address the broad concerns of the state by ingesting a 'healthy dose' of SIN. Further to this, the IMF's PRGF, which is closely related to the PRSP process, is specifically focused upon ensuring that the Fund's core concerns of macroeconomics (and governance) are not left untouched (International Monetary Fund n.d.).[10]

Overall, what is striking about PRSPs is the degree to which they are designed to generate the institutional and policy outputs desired by the Bank and Fund. Here again, the inherent leverage between donor and recipient is critical in ensuring formal homogeneity, with PRSPs functioning as prerequisites for access to IDA/PRGF money and HIPC status, and requiring the sanctioning eyes of the boards of both the Bank and the Fund (Hatcher 2006). In this effort, PRSPs 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' (Tan 2006: 148). 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… (Tan 2006: 156–7)

As with the CDF, this means that the ownership embodied in the PRSP process is shallow to say the least. 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 the impact that this has upon ownership (Van Waeyenberge 2006: 19). She

also recognises the homogeneity in the PRSPs, noting an unsurprising 'recurrence of such policy initiatives as trade liberalisation, privatisation, investment deregulation and fiscal stringency' (ibid.). In essence, the PRSP is a critical device in attempting to guarantee SIN conformity in the world's poorest countries through an altered form of conditionality that gives the appearance that countries 'own' their development approach (as demanded by the CDF). However, there is no getting away from the reality that the production of a PRSP is done in an intensely political and materially asymmetrical environment that, in no small way, provides incentives to encourage adherence (at least formally) to Bank orthodoxy on the part of PRSP-producing countries.

Another critical delivery device for the Bank in the distribution of SIN is the Country Assistance Strategy (CAS). CASs are prepared by the Bank for *all* current borrowers from the Bank's two main lending bodies – the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). CASs serve the very central role of stipulating the intended Bank programme for a given country (lending envelopes, reform targets and so forth) (World Bank n.d.l). While the CAS was developed in the early 1990s, increasingly the device has become further enmeshed with SIN's other mechanisms and methods, interfacing with 'country-owned' development plans (including PRSPs) and involving consultation processes (see chapter 6) (Van Waeyenberge 2006: 20). However, 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, in particular, those staff directly attached to them in Washington.

CASs not only outline the Bank's programme for a given country; they also present an appraisal of reform progress and detail the economic and political risks that Bank staff see in that country, providing an opportunity for the Bank to comment upon how these impact/or may impact upon the Bank's involvement with a member state. For the Bank, CASs provide a 'diagnosis' of a country's 'development challenges' and identify the core areas where the organisation sees the greatest potential for having an impact. This diagnosis includes an assessment of the Bank's portfolio performance in a country, the country's creditworthiness, the potential for reform implementation and the levels of 'institutional integrity' evident. Finally, as important pieces in embedding SIN, the Strategies overall are 'results focused', with monitoring frameworks for ostensibly assessing both Bank and country performance threaded into the documents (World Bank n.d.l).

A CAS's assessment of a country's position is directly connected to what is and is not possible in terms of allocation of resources from the Bank to a member state, making it an extremely important document. Given that a CAS requires Bank Board approval and stipulates funding envelopes tied to reform performance, it is both *the core* instrument in the Bank's relationship with a particular country and a central indicator of *the nature of that relationship*. Drawing upon the influence of the CDF, a CAS is supposed to start out from 'the country's own vision of its development goals' (World Bank 2005b), which in practice takes the form of a PRSP or other similar plan (see below). Yet, as was noted earlier, if a country wants to secure Bank support it is obviously in its interests to prepare a plan that demonstrates a commitment to SIN. This is all the more the case given that CASs are actually structured around assessing the nature, plausibility and levels of 'ownership' attending this 'country owned' plan, with such assessments playing a significant role in determining the Bank's lending envelopes.

Emblematic of the role of the CAS in embedding SIN, the 2006–08 Philippines CAS (the subject of chapter 6) 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 (World Bank 2005c: 13). In turn, the CAS presents an overview of the Bank's 'engagement strategy' and the way in which its programme is to be delivered. The CAS 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 (2003–2005), noting how 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 activity (ibid.: 61–2).

A note should be made here about the delivery device of the CAS and its relationship with the increasingly important Country Policy and Institutional Assessment (CPIA), which in itself can be considered a crucial link in the unidirectional, disciplinary–results focus 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 country's policy and institutional situation, largely via the CPIA (World Bank 2003e: 1). The CPIA focuses upon criteria relating to economic management, structural policies, social inclusion and equity, public sector management, and the rather all-embracing meta-area of 'institutions'.

The analysis of these criteria is combined with an annual portfolio assessment that is explicitly concerned with implementation progress, with a 'governance factor' also taken into consideration. From these elements, a performance rating (which in essence seeks to quantify a country's alignment with SIN) is generated, which means that 'higher performers' are preferred recipients of IDA funds. 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' (ibid.: 2). The connection between the performance rating and CAS is particularly important in that when a new CAS is drafted the allocation norm sets the base-case financing level for a given country, as well as informing the triggers for portfolio possibilities (expansion or reduction etc.) (ibid.; Van Waeyenberge 2006: 20).[11]

In sum, the CAS is a central delivery device of SIN which, in tandem with the associated 'country' development plan, 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, the CAS is inextricably 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 in an attempt to deliver SIN. Importantly, the CAS is a signal-sending document that is demonstrative of how the Bank perceives a country's performance in the embedding of SIN – a document to be respected by recipient countries if funding is required.

Political technologies of SIN: participation and partnership

While delivery devices such as PRSPs and CASs are essential components within SIN, they work in concert with a set of novel political technologies that are related to assisting in the implementation of SIN's prescriptive content. Most apparent here are the participatory processes and partnership arrangements that now permeate orthodox development practice, although the language of SIN embodied in the CDF should also be considered an important political technology that is drawn upon to normalise particular understandings of core development practice concepts in a hegemonic fashion. 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 deploying new techniques to build consensus and marginalise and contain those elements hostile to the SIN project. Importantly, SIN's technologies are a significant part of what makes it a *political project*.

The logic associated with SIN's political technologies such as participation and partnership connects strongly with a narrow reading of civil society, empowerment and the apparent virtues of decentralisation (Harriss 2002: 118). These, in turn, link up with a concern for the implementation of the new basics, with the likes of participation and partnership constituting vital elements in securing market society. In this way, the function they serve in tandem with civil society 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' (Gramsci 2000: 306) – 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 other 'stakeholders' that are perceived by the Bank as supportive of and/or necessary to the project at hand.[12]

Essentially, the primary task of what the Bank attempts to do with political technologies such as participation and partnership is to nurture and manage those combinations of actors within civil and political society that can assist with facilitating the implementation of SIN. 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' (Jayasuriya 2005: 2).[13] 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' (ibid.: 5). As the case study in chapter 6 makes clear, these boundaries are often (correctly) 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.

In the Bank's 'hands' the point at which participation ends and partnership begins is often nebulous. However, for heuristic purposes it is

useful to think of the Bank's notion of participation as entailing efforts to draw in particular constituencies in the construction of the competitive state and market society, while partnership can be thought of as the actual structural relationships to be forged between the Bank and other 'development partners', including other development agencies, and congenial elements within civil and political society. Put another way, partnership is seen as a favourable state between the Bank and stakeholders that assists in the implementation and monitoring of market society. In this 'idyllic' and ostensibly monopolitical state, 'common sense' (adherence to SIN) is broadly agreed upon, demarcation of responsibilities (to the Bank and other 'development institutions', the state and civil society) is clear and policy 'overlap' and other technical inefficiencies are minimised. Partnership seems to be given real material expression in the number of meetings attending the preparation of CASs and PRSPs, the involvement of civil society in performing implementing and accountability roles within SIN development strategies, not to mention the lending embodied in given Bank country programmes. Importantly also, in many ways the Bank's emphasis upon the importance of partnership has also merged with the themes embodied in the Organisation for Economic Co-operation and Development Assistance Committee (OECD-DAC) agenda of aid effectiveness and *harmonisation*, which can be thought of as another element in the attempt to constitute market society. Perhaps most importantly for our purposes here though is that *partnership* within SIN presupposes a very specific conception of *participation*.

The Bank's recognition of a role for participation goes back some way, beginning significantly in the mid-to-late 1980s when the organisation took a new approach to working with NGOs, setting up a Bank-wide learning group on participatory development (Davis 2004: 4). Writing for the Bank in the 1990s, James Adams and Jennifer Rietbergen-McCracken noted that the learning group was 'charged with examining the issue of participation and the challenges to the bank it entailed' (Adams and Rietbergen-McCracken 1994: 36). Here, participation was defined as 'a process through which stakeholders influence and share control over development initiatives, decisions and resources which affect them' (ibid.). Stakeholders in this sense were seen as those unitary or collective actors that impact or are impacted by the Bank. Critical in this, of course, was the Bank's catalysing concern for reform implementation. Tellingly, development efforts were seen as having a better chance at implementation if important stakeholders *felt* that they had a 'genuine stake in the outcome' (ibid.). The key to understanding

the demand for participatory initiatives, from a Bank point of view, is neatly captured in the assessment of 'costs' that Adams and Rietbergen-McCracken apportioned 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*. (ibid., emphasis added)

The Bank's current emphasis upon participation is a ubiquitous element in both its public profile and work. It currently maintains its own 'Participatory and Civic Engagement' web page, associated with the Participation and Civic Engagement group, which is a thematic grouping within the Social Development Department of the Bank – an entity that has been at the forefront of much of the Bank's basic work upon participation (see chapter 8) (World Bank n.d.m). 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':

> 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. (World Bank n.d.n)

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 to the participation of and partnership 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 is pragmatically rational for the Bank. However, what is important to note here is that the sections of civil society that are engaged by the Bank and the nature of that engagement do not approximate a pluralist political project with broad-based political support indicative of a plausible notion of representative legitimacy. What is encouraged – as chapter 6 makes apparent – is the calculated participation of stakeholders within an already concretised 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. And this is not always just for the sake of pushing an ideologically charged policy set, as chapter 7 makes clear – indeed, it is also to facilitate further lending opportunities which are, in turn, tied to reform success or the perception of reform success.

Conclusion: 'knowledge' and the new conditionality

'Holistic visions', 'country ownership', 'partnership', 'participation' and 'development results' – all now-ascendant terms in orthodox development practice – entwine with the all-encompassing Bank conception of 'knowledge'. At the risk of repetitiveness, we should conclude this chapter by very briefly making explicit the connection between SIN's delivery devices, political technologies and the new basics – which taken together accord in no small way with what the Bank means by 'knowledge' – and the manner in which these form the new conditionality mechanism embodied in SIN. Notions of 'knowledge' and 'knowledge sharing' both feature strongly in the CDF and the devices and technologies discussed above, assuming an important place in the SIN.[14] Knowledge, as used by the Bank, is essentially a crucial galvanising 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' (Collier quoted in Pender 2001: 409). However, to be sure, conditionality has not disappeared with the rise of SIN – it has merely taken on a more complex form, tied as it is now to ingesting a particular institutional and policy set *and processes to realise the implementation of that institutional and policy set.*

Knowledge has most definitely been portrayed by the Bank as a replacement of sorts for the conditionality that was associated with SAPs (Pincus and Winters 2002b: 12). However, Pender, echoing the assessment of this chapter, adroitly emphasises that rather than replacing conditionality, the CDF and its intersection with a specific conception of knowledge are actually formed around yet *another* structure of

conditionality (Pender 2001: 409). Essentially, this new form of conditionality, threaded throughout the CDF and involving the delivery devices of the PRSPS and CASs (with their monitoring and results-driven foci tied to allocation of resources), can be significantly attributed to the way the Bank connects knowledge and ownership. Here, ownership is perceived as a country sufficiently imbibing the 'right knowledge'. This entails demonstrating a commitment to the new basics and the mechanisms and methods for realising their implementation, which is even seen as requiring the foreign education of policy makers to ensure that there is a sufficiently large constituency of technocrats well-versed in the 'right knowledge' to facilitate change (ibid.).

Overall, what we see in SIN is a formidable, interwoven ensemble of delivery devices and political technologies, which establishes a new approach to conditionality and which 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 to which the CDF aspires. Together SIN's delivery mechanisms and political technologies combine with the new basics to form an embedding matrix to encourage normative neoliberal lock-in. What is to be 'owned' and 'partnered' by developing countries is the 'knowledge' (relating to policy and process) proffered by the Bank for the constitution of market society. This involves establishing new methods of state-building, political processes that attempt to circumvent impediments to the project at hand.

In the following 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 implementation. What is interesting here is that SIN's delivery, and indeed its success or failure at circumventing reform impediments on the ground, are highly sensitive to political factors that stem both from within the Bank and the individual country environments in which it operates, as well as the global political economy more generally. The picture that emerges from this analysis bodes poorly for SIN adherents, both in terms of their ability to instil 'knowledge' and the quality of that knowledge for freeing the world of poverty.

5
Attempting Market Extension through SIN: the Privatisation of Manila's Water

A significant theme that comes out of the foregoing analysis of socio-institutional neoliberalism's (SIN) formal composition 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 particular ideological influences that have ascended within a very definite historico-political environment. Crucially, the SIN project promotes the importance of institutions for realising the benefits of the market (which is seen as the best institution for resource allocation). It also includes an awareness of the difficulties attending previous attempts at establishing market-centred regimes (the Washington consensus) and subsequently specifies numerous new methods and mechanisms to eliminate impediments to reform. Drawing upon the grounding of the book's first four chapters, the following case study-based chapters look at the 'deeper politics' of this project, providing an assessment of what SIN means for states and societies in practice and what states and societies mean for SIN in practice.

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 implies for state and society. The chapter looks at the delivery device of a 'technical assistance' (TA) contract between the Bank, through its International Finance Corporation (IFC), and the Philippines Government. The TA contract is an interesting example of a SIN delivery device – demonstrating the Bank's influence beyond simple country lending-based arrangements. However, as we will see below, the IFC not only played the role of lead adviser (read 'knowledge provider') 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 market-facilitation work within this scenario that is perhaps most interesting in terms of looking at SIN in action. However, it is important to stress that the new basics – especially the reconfiguration of the state in line with promoting competition and regulating infrastructure – also play a central role in this story. In contrast to the Washington consensus, we see how the Bank, at the request of certain elite actors predisposed to the ascendant ideology of neoliberalism, assists in attempting to alter state form in a manner that puts into practice some of the regulatory institutional assumptions of new institutional economics (NIE).

The case study below demonstrates how SIN protagonists often attempt to get the state out of traditional forms of service provision and recast it as a technocratic 'regulatory state' (Jayasuriya 2000: 315–30). In this arrangement 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 chapter 3), rather than a service provider *and* regulator. Yet, interestingly, the example below demonstrates how in practice there is nothing technical about this shift in state form. Indeed, under SIN patterns of transformation we see how the state, reflecting the class interests that constitute it, shoulders financial risk for foreign and domestic capital, even when capital has not kept its side of the contractual bargain. In such ways the state in this arrangement is a 'guarantor state'. Rather than the utopian market-society consensus-builder demanded by the Comprehensive Development Framework (CDF – see the previous chapter), the guarantor state reveals itself as a defender of domestic and foreign capital to the exclusion of more popular interests. Interestingly, the guarantor state – while in the end challenging the utopian market society project, preferring a more immediate satisfying of the demands of capital – still often turns to the 'Knowledge Bank' and its monopoly on 'development best practice' when attempting to address infrastructure and service issues. This perhaps owes to the legitimacy that attends bringing in international 'experts' to solve pressing social problems – experts that bring with them the most compatible ideology for realising the interests of capital. However, once the market-opening process has been instigated, 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 even some neoliberal technocrats in the state might be content with. Indeed, what is particularly evident below are the terminal problems associated with the technocratic assumptions

of NIE and the new basics and, in essence, the relationship between class power and institutions under forms of capitalism.

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) price 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 2, the attempts at first generation reforms like privatisation were plagued with problems, perhaps most famously – though certainly not exclusively – in Russia.

SIN, as the most recent incarnation of neoliberalism's battle to maintain hegemony, critically alters the market extension process in important ways. In short, it places emphasis upon new, more politically palatable methods of implementation (such as part-privatisation and public–private partnerships) and specifies a precise regulatory institutional mix to realise the benefits ostensibly associated with private ownership and management. 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. This means that property rights over commodities and services must be specified and enforced and certain standards of behaviour (regarding competition, quality of service, issues of pricing etc.) must be stipulated and policed in order to capture the efficiency benefits of private markets.

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 apparently entails, to those areas where it was previously limited or entirely circumscribed. 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 – the transformation of a particular social good or service into a tradable

entity with a market value. The extension of the market and the associated process of commodification variously transforms citizens with certain entitlements owed to them by the state (no matter how poorly realised) into consumers of privatised goods and services, with their interests 'protected' by contractual and regulatory arrangements. 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, with domestic and international capital being dominant players.

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 of the Bank's work. Here, there is some continuity with the past for the organisation; however, it would be misleading to write the Bank's work on utility privatisation as just being an example of continuity with the past. As has been made clear in earlier chapters, SIN is concerned with the deep embedding of market-supporting structures which, in turn, implies a shift in the very function and form of the state. Crucially, this process is not pursued in the same way as the structural adjustment of the 1980s and early 1990s, via basic policy sets tied to simple forms of 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 (a politically savvy approach given the well-known negative repercussions associated with early privatisation processes noted in chapter 2), are explicitly seen as being dependent upon sound regulatory structures and a managed nexus to 'reconcile' the interests of public and private actors. In short, the very form and delivery of privatisation has shifted in a qualitative way.

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 currently promoted by the Bank. 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 (Finger 2005: 299–301). This is interesting given the combination of ideology and interests at play. Ideologically it implies a consideration for *consumers* rather than *citizens* and is premised upon the assumption of the inherent efficiency of the private sector in the allocation of resources. However, the important point here is that under this arrangement the state is a contested zone subjected to the competing pressures that accord with Harvey's dual understanding of neoliberalism as both a utopian project to realign capitalism and a political project to reassert the class power of capital (Harvey 2005: 19). While the NIE arrangements specified by the Bank are designed to accommodate the interests of capital – with the idea being that such an approach, plus regulation, generates the best results for a society – class power means that such utopian dreams are never realised. In short, ideology and reality part ways when interests are at play. Indeed, this can prove problematic for neoliberal technocrats in the state and the Bank. This is because the transformation process associated with privatisation is not a simple exercise in demarcating responsibilities, with the state willingly taking up its SIN role as regulator. Indeed, this would presuppose a state free of interests (at least non-neoliberal interests) – a blank canvas ready to be converted into a masterpiece of regulation. However, given that the state comprises an impressive representation of the interests of capital this masterpiece never materialises. In reality, the state demonstrates well its allegiances to capital, over and above popular interests *and* SIN. The state does this through the impressive concessions that it grants to players in the market extension project, which are most evident when things go awry. The case of water privatisation (as a form of market extension) in the Philippines is enlightening with regards to the process of attempting SIN market extension and its relation to the state, challenging the technocratic assumptions that underpin much of the Bank's advice to underdeveloped countries and suggesting that underdevelopment's solutions are not to be found in SIN's tenets.

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 was then further pursued under the subsequent presidency of Fidel Ramos, although the World Bank had also earlier linked conditionality to a reduction of government corporations in the economy (Buenaventura and Palatto 2004: 10).[1] Bequeathed with the legacy

of economic failure under Marcos, Aquino and Ramos charted a different path that was heavily reliant upon neoliberal ideology, though regularly departed from neoliberal ideals in response to particular interests. Interestingly, many of the capitalists who were marginalised under the Marcos regime were to become significant promoters and beneficiaries of market reform under Aquino and Ramos (Pinches 1997: 111–12).

Several important initiatives were undertaken during the Aquino administration that were important in facilitating market extension: the establishment of the Committee on Privatization (CoP) (designed to privatise hundreds of government companies and assets), and the enactment of a Build-Operate-Transfer (BOT) law (Dumol 2000: 4). The Ramos administration continued the neoliberal trend, 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 provision of water in Manila had been the responsibility of the Metropolitan Water and Sewerage Service (MWSS), a state body renowned for poor service that was both a debt-laden drain on the government (with large debts to multilateral organisations such as the Bank) and grossly inefficient (Esguerra 2003: 10, 13).[2] Indeed, many of the twelve million people that were covered by the MWSS remained disconnected and there was substantial loss of water through leaks and theft (Buenaventura and Palatto 2004: 1).

Writing in 2000, Mark Dumol, a key official in the privatisation of Manila's water provision, was quite certain as to the source of the MWSS'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' (Dumol 2000: 19). President Ramos himself was known to be particularly excited about the prospects of the MWSS being privatised and, for Dumol at least, was central in developing a consensus (that had no doubt been apparent to Manila's majority for some time) that major issues existed (ibid.: 10–11).

Between 1994 and 1995, domestic and foreign capital (British and Malaysian) made clear their interest in the MWSS. However, these approaches were declined in favour of the bidding process for the privatisation scheme. In the lead-up to the privatisation of the MWSS foreign governments (especially the French and the British) and foreign capital (once again French and British based) were keen to demonstrate to the Philippine government the merits of water privatisation through jubilant anecdotes and trips to view operating water privatisation projects. At an early stage in the development of the privatisation

process the French embassy even secured a US$1 million grant from the French government for (French) advisers to assist with the process (ibid.: 9, 12–14, 22).[3] The mustering of those western governments from countries that host the world's largest water companies was impressive. So too were the efforts of the companies themselves, eager to earn profits in a newly constituted market by supplying water to one of the world's mega-cities.

The need for advice, legitimacy 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 IFC – the World Bank's private sector promotion arm – was drawn to the water privatisation process at the invitation of a Philippine government official, who declared that they were the only financial advisor he knew (Dumol 2000: 27). Subsequently, an IFC team arrived in Manila in 1995, with Dumol positive about their prospective involvement and 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). (ibid.)

Here the IFC's advice was obviously critical, with Dumol clear about what it is that the World Bank (and the Asian Development Bank) bring to the table in the privatisation process:

> 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 this technical assistance is through multilateral agencies such as the World Bank and the Asian Development Bank. (ibid.: 24)[4]

Perez-Coral, from a very different political perspective to that of Dumol, has summarised the IFC's activities more generally 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' (Perez-Coral 2000: 6). Indeed, this is a role that the IFC plays all over the underdeveloped world, with the Corporation undertaking a pivotal role in opening markets, in no small way by virtue of its sovereign relationships with governments and the edifying reassurance that this provides for capital (Carroll 2009a: 12). Crucially for new approaches to market extension, the IFC can perform roles more often associated with a private sector financial entity than a public organisation like the World Bank. For example, in the case of Metropolitan Manila's water services, the IFC would become more than just a simple contracted advisor dispensing orthodox neoliberal advice (Dumol 2000: 28). Indeed, later on in the process it would go on to provide support loans to one of the concessionaire 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 programme (David 2000: 1). Importantly, the IFC led a team of consultants that 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' (Esguerra 2003: 13). For all of this, the IFC received a controversially large consultancy fee of US$6.2 million, which was to be recovered by the government at the time that the concessions were awarded (Dumol 2000: 29–30).

It should be pointed out here that the Bank's involvement in the privatisation of Manila's water, 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 received, with that number tripling between 1996 and 2002 (Centre for Public Integrity 2003b: 1). 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 recommends reconceptualising of water and the services related to it as commodities and commercial services respectively (that is, 'private goods'), an exercise perceived as integral in solving issues of both an economic and environmental nature (Finger 2005: 285). Notably, the Bank as 'Knowledge Bank' has had an important role to play in promoting approaches to water that neatly dovetail with the interests of global water companies (Grusky n.d.).[5]

The arrangement designed for Manila's water services was entirely compatible with the Bank's NIE-underpinned preference for understanding water services in a commodified form, while also emphasising a significant role for government as a regulator. The hybrid arrangement saw MWSS retain ownership of assets, with the operation and maintenance of Manila's water services divided between two privately run concessions – a design that no doubt owed much to the politically untenable nature of full privatisation perceived by those driving the process (Dumol 2000: 14).[6] The result was thought to be nothing less than the largest public–private partnership (PPP) of its type and the world's largest water privatisation when it was implemented in 1997 (Finger 2005: 291; Dumol 2000: i).[7] Under this arrangement MWSS would relinquish its role as a utility provider to, principally, become a regulator, with the MWSS Regulatory Office (MWSS-RO) being established to oversee the operations of the winning concessionaires (MWSS n.d.). 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' (Dumol 2000: 58). One particular sticking point in this regard was the Umiray-Angat Transbasin Project (UATP), a project which all bidders were opposed to accepting responsibility for. Although the project was critical to the prospective private concessionaires meeting their water supply requirements, the UATP involved a large amount of tunnelling, presenting a high degree of risk that bidders were rationally averse to. Subsequently, the responsibility for UATP, 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 (ibid.).

The PPP model 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 (Esguerra 2003: 10). The winning bids were submitted by two groups of companies – both powerful combinations of domestic and international capital. In both instances Filipino companies connected with oligarchic families (the Ayalas and Lopezes) held majority shares in the winning concessions.[8] The east zone of Manila was awarded to Manila Water, an entity which at the point of privatisation included Ayala Corporation and International Water (which was involved in the now-infamous Bolivian water dispute in Cochabamba, and which was at the point of privatisation wholly owned by the American engineering company Bechtel).[9] Manila Water is now a publicly listed company in which the Filipino Ayala Corporation, UK-listed private utilities firm United Utilities, Mitsubishi, Standard Chartered Bank, Citibank, the Hongkong and Shanghai Banking Corporation and *the IFC* all hold significant shares (Manila Water 2009a: 4–5). The concession for the western zone was awarded to another formidable coupling of domestic and international capital named Maynilad, which comprised Benpres Holdings (as a majority shareholder and owned by the Lopez family) and the huge French water company Lyonnaise des Eaux (now Ondeo, a division of Suez-Environment whose parent company is Suez) (Finger 2004: 290). The respective reaches of the companies in Maynilad when it was awarded the concession were vast, with Suez/Ondeo one of the two biggest water companies on the planet[10] and the Lopezes, in part through Benpres, retaining major interests in broadcasting, telecommunications, the new economy, infrastructure and power.[11] Subsequent to significant legal, regulatory and financial turmoil (covered below), Maynilad's ownership shifted to a consortium of Metro Pacific Investments Corporation (MPIC) and DMCI Holdings (which held an almost 84 per cent share), with Lyonnaise Asia Water Limited retaining 16 per cent of the company.[12]

For the MWSS, the proposed benefits of the PPP for consumers included the reduction of water tariffs (MWSS claimed potential savings of seven million Philippine pesos (PHP) per day for customers), the expansion of piped water coverage, improved water pressure and better sewerage services. 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 25-year concessions. Finally, it was estimated that the concessionaires would pay income taxes estimated at US $3 billion over the life of the contracts (MWSS n.d.).

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 correctly regulated, is perceived to be the most efficient resource allocation mechanism and should be preferred to all other options. Applying this logic to water supply in Metropolitan Manila was simple. The use of the water infrastructure, while remaining the property of the state, would be tendered out in a competitive process to two concessionaires to supply water through. Both concessionaires, subject to the efficiency-generating discipline of the market, while being regulated under contract by the newly formed MWSS-RO (funded by the concessionaires), would, according to the theory, provide better, broader and cheaper services than the previous state-run organisation. In essence, the privatisation would be a win–win for private and public interests.

Before making a brief assessment of how the privatisation and the SIN assumptions underpinning it 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. Indeed, both the Aquino and Ramos administrations articulated a neoliberal ideology, which, while inconsistently implemented, saw the 'principal role of the state [as] that of economic facilitator' (Pinches 1997: 111). Further to this, neoliberal reform was heartily supported by many of the capitalists that had lost out under Marcos (ibid.). 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,[13] capital began jostling for the two (east and west) Manila concessions. The big players of the Philippine oligarchic elite, along with some of the most significant corporate players in international

water, were determined to secure entry into the process. Indeed, perhaps indicative of this determination, at least one commentator suspects that 'dive bids' were probably used by bidders to increase the chances of winning a concession, while all the time being aware that substantive increases in water rates would be required for the operations to be financially feasible (Esguerra 2003: 10, 16). Notably, 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 chances at winning a concession (Poh 1997).

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 providing an essential 'commodity', over a 25-year period to one of the world's mega-cities. 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 (McCoy 1993: 435), such an opportunity must have been irresistible. Ayala Corporation was also 'desperate' to attain the concession it ended up winning – having significant real estate interests in that zone (Dumol 2000: 97). Additionally, risk for the winning bidders was at least partly-minimised 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 (ibid.: 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, telling us much about SIN-styled market extension *in practice*.

The travails of the concessions and the roles of the state and the IFC

Within just three years of the concessions being awarded, problems emerged with the PPP, with Maynilad in financial trouble and Manila Water challenging the terms of the concession contract itself. 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) (Esguerra 2003: 6–7). 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' (ibid.). Indeed, even a bond was in place (with the funds provided by the concessionaires) to allow the government to draw from if problems were to emerge 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 per cent). The devaluation of the Philippine peso that attended the Asian crisis created large foreign exchange losses, challenging Maynilad's creditworthiness (with the company having taken on the overwhelming bulk of the MWSS's foreign debt). Importantly, the company 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) (ibid.: 17–18).

The terms of the concession agreement allowed for 'ordinary' currency movements (within 2 per cent) which would be passed on to the consumer in modest tariff increases. However, a devaluation of the magnitude associated with the Asian crisis meant that the MWSS-RO, in the words of one analyst, was required to 'balance Maynilad's financial requirements with consumers' affordability' in considering large tariff increases (Finger 2004: 291). In short, the exposure of half a mega-city's water supply to the vagaries of the global political economy necessitated a 'pragmatic' response that would assist capital with an 'extraordinary price adjustment' (permitted by the concession agreement), cost the public and maintain the arrangement. However, throwing some doubt on this simply being a technocratic decision of balancing between the private and public interest during an 'unusual economic event', were allegations that the Asian crisis and the associated devaluation of the Philippine peso were actually excuses made by the company for the results of their own

business practices, which allegedly included the extension of expensive technical assistance contracts and loans with Maynilad's affiliate companies (Benpres Holdings and Lyonnaise des Eaux Philippines) (Esguerra 2003: 19–20; Chiplunkar, Dueñas and Flor 2008: 3). 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' (Finger 2004: 291).

After considerable tussles between regulatory personnel, irregularities in procedures associated with regulatory functions and a perception on the part of some that the chief regulator was favouring the concessionaires, an 'Extraordinary Price Adjustment' was granted to the Maynilad concession. This saw the average price per cubic meter rise to PHP10.79 (up nearly 65 per cent on the price for the previous ten months and well up on the privatisation rate of PHP 4.96). This rise was followed by even more rate rises, in line with a Foreign Currency Differential Amendment to the concession agreement, which allowed the rapid recovery of foreign exchange losses and which shifted more immediately the risk of foreign exchange losses to the public. By 2002 the average rate for the Maynilad concession was almost double the pre-privatisation tariff of PHP 8.78, a figure which rose to a staggering PHP30.19 by 2005 (Esguerra 2003: 25–8, 43; Freedom from Debt Coalition 2005).

However, despite the increases and unable to secure a US$350 million dollar loan to assist with addressing its woes, in December 2002 Maynilad filed for an early termination to the 25-year concession agreement, blaming the MWSS for failing to meet its obligations under the concession agreement. In November 2003, an arbitration panel (having received submissions from both MWSS and Maynilad) determined that there was no basis for an early termination of the agreement and instructed the concessionaire to pay more than US$6.7 billion in unpaid concession fees (equivalent to 32 months of fees), plus interest. Finally, while it was insufficient to cover 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 (Bantay Tubig 2003; Bantay Tubig n.d; Philippine Business.com 2003; Manila Times 2004).

Despite the panel's decision being final, in November 2003 Maynilad filed to be placed under corporate rehabilitation, which, owing to the terms of the concession arrangement, would grant the company the termination of the concession arrangement that it sought. By early 2004 the MWSS had still not collected the outstanding fees from Maynilad, with political will apparent on the part of the Arroyo administration to save Maynilad and the Lopezes from financial disaster

(Bantay Tubig n.d.). Rather than collect the money owed to MWSS for the concession fees, a debt for equity swap was promoted, where the government would waive the concessionaire's debts in exchange for equity. This attracted significant public criticism, and plunder charges were filed by a senatorial candidate against Arroyo, the Lopezes and several justice officials (Esteves 2004; Manila Times 2004). Notably also, the government's ordering of the MWSS not to seize the performance bond issued by Ondeo drew allegations that the Arroyo administration had turned its back on the public interest (Manila Times 2004). In January 2005, the *Manila Times* reported that the Arroyo administration would actually use part of the US$120 million performance bond to buy 39 per cent of the concession. Ondeo (having earlier reduced its stake) would retain 19 per cent of the concession and a mixture of banks and the MWSS would hold the majority of the rest (36 per cent) 'through coupon-generating preferred shares' (Burgonio 2005). 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. With debts of almost half a billion US dollars in 2005 (much of it owed to the MWSS and Suez), the company was forced into debt and capital restructuring. In possession of 84 percent of Maynilad's shares, MWSS set about rebidding out the concession. The two key bids were received from Manila Water (the east zone concessionaire) and the consortium of DMCI-MPIC, with the latter winning out and retaining the majority share of Maynilad and, thus the concession) (Chiplunkar, Dueñas and Flor 2008: 5–10).

The other concession run by Manila Water has not had anywhere near the problems of that run by Maynilad. Indeed, Manila Water has posted healthy profits since 2001. It also claims significant reductions in water losses, increases in its customer base (to over five million people), water service reliability, and large capital investments (totalling PHP27 billion or US$630 million at 2010 rates) (Manila Water 2009b). This said, Manila Water has demanded amendments to the original contract and invoked increases in rates (Interview, November 22, Manila 2005; Freedom from Debt Coalition 2003). Important to Manila Water's story here, however, is the way that the IFC has assisted the company substantively and sought to further lock in the market extension process via conditional loans. In this respect, the IFC bought equity in and extended loans to the company to assist it in meeting its obligations under the concession agreement, while making the receipt of support conditional upon the company listing on the stock exchange (which took place in March 2004 and constituted the first international public

offer by a Philippine issuer since 1997 (Manila Water n.d.b: 4)).[14] Two months after the listing, and 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 PHP 4.75 each (roughly US$15 million – calculated at June 2005 exchange rates). In addition to the share subscription, the IFC also extended a US$60 million loan package to Manila Water (Manila Water n.d.b: 4, 41).

It is important not to undervalue the stock investment and loans that the IFC has made in and to (respectively) Manila Water. These have clearly been associated with supporting an example of what the organisation perceives as an important privatisation success story, in part by assisting Manila Water to meet its targets. IFC project summary documents are particularly candid 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. (World Bank – IFC – 2004)

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 initial public offering (IPO). This, of course, 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 [sic] 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. (World Bank – IFC – 2002)

Put simply, the IFC's very proactive involvement in supporting the eastern concession, is a story of sequenced stages of market extension – a politically astute neoliberalising process that progressively makes reform reversal more difficult and which sees the control over water more broadly locked into the interests of capital.

Conclusion

What is particularly evident in the above reading of the privatisation of Metro Manila's water supply is the problematic nature of market extension in underdeveloped countries, where ailing critical services are subjected to the logic of the hegemonic paradigm of SIN which, in practice, meets politics and the turmoil of the global political economy. In this story, coalitions of interest pursued a particular path of market extension variously bound by commitments to neoliberal ideology (of the government and the IFC) and explicit self-interest (of foreign and domestic capital, the IFC and government). Importantly, the World Bank played a decisive role, through the IFC's 'knowledge dissemination' (technical assistance) work, loans and investments – all of which were critical in both generating and sustaining the arrangement that eventuated.

While the privatisation, was initially possible because the Ramos administration was ideologically convinced of the merits of private sector involvement in utility provision – the end result operated in a manner that had little in common with the optimistic projections of SIN. From the outset, the privatisation was pitched as a win–win – it would be possible to reconcile private and public interest so long as the right institutions were put in place (the MWSS-RO) and allowed to operate. The government would gain by shedding the ailing MWSS and receiving the income that newly privatised concessions would generate. Service provision would expand and increase in quality, with foreign and domestic enterprise driven to make profits while bound by a robust regulatory arrangement. The IFC also had much to gain, both in legitimacy and material terms. It could demonstrate the operational merits of the gospel that it was dispensing while receiving its consultancy fee, and (later) gaining new lending and investment opportunities for itself.

However, the theory did not seamlessly translate into practice. By virtue of the Bank's '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 – advice which makes certain assumptions about the role of institutions in making markets 'work'. However, the above reading highlights that the assumptions of NIE are tested to the point of collapse by power. In this process of market extension, the neatly technocratic NIE infrastructure of contracts and regulatory offices are seen as malleable and contested in reality, with the state becoming the ultimate guarantor for capital, shouldering financial risk, allowing adjustments to the contract and increases in the water tariffs, and resisting the legal right to secure the bond. The state also remained the ultimate body held accountable in relation to utility provision, in the end having to once again take responsibility for the failing concession and undertake a rebidding process. Above all, the case study of Manila's water 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 (of neoliberalism and capitalism), 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. This reality does not prevent the IFC (and the Bank more broadly) from continuing its promotion of SIN – quite the contrary. Indeed, considerable effort is made to ensure that the legitimacy of SIN is protected and its reach further projected, with new methods of market extension deployed to ensure the constitution of market society.

6
Participating in the Embedding of SIN: the World Bank's Country Assistance Strategy for the Philippines

Following from the theme of market extension and the increasingly common delivery device of technical assistance, this chapter analyses another of SIN's delivery devices (a Country Assistance Strategy – or CAS) and its relationship with the two core political technologies within development practice orthodoxy – *participation* and *partnership*.[1] Importantly, these political technologies pervade the Bank's work and are crucial in the attempt to constitute market society, in part by playing novel legitimacy and constituency-building roles in the project to embed SIN as a hegemonic paradigm.[2]

The precise form that partnership and participation take within SIN varies, to some degree, with context. However, crucially, this variance never deviates from definitions that are associated with an instrumental concern for reform implementation and maintenance. Encouraging NGOs, government line agencies, and other immediate 'stakeholders' affected by and/or vital to the implementation of the Bank's work 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 in the Bank's work. Indeed, the latter is central in the political project to establish market citizenship; a pivotal element in the attempt to constitute forms of participation and partnership where much has already been decided.

To this end, as the following case study from the Philippines illustrates, there is an attempt through SIN forms of partnership and participation to incorporate specific organisations and people into a particular framework where they are congenial to its objectives. While the words 'partnership' and 'participation' evoke progressive sentiments, this is

illusory. Indeed, far from being indicative of a new tolerant pluralism in development orthodoxy, both political technologies imply the reverse. This is most evident in the marginalising of organisations (such as particular NGOs or trade unions) that seek alternatives to SIN. Activist organisations, for example, which are well organised against many of the sorts of programmes that the Bank promotes and against the Bank itself, often rally for policies inimical to that of the Bank, or indeed for the abolition of the organisation itself. These groups clearly lie outside the bounds of SIN-style partnership and participation. 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 extremely limited. Yet, even the meaningful inclusion of groups that are less hostile to the Bank – large-scale labour groups that are broadly social democratic, for example – is near impossible. The separation that exists is, of course, in significant part ideological and in many ways represents the intolerance of SIN's superficial embrace of liberal notions of inclusion.

Essentially, participation and partnership under SIN are interest-sensitive – with the Bank's interests in pursuing reform paramount in determining the nature of the resultant relationships. 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. The people within these groups 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 criticised even by those who are involved with the organisation's attempts at partnership and participation, with criticisms relating 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 perceived bias in assessing particular problems. In essence, all of these criticisms are indicative of the political and ideological rigidity of SIN.

As we will see, rather than promoting forms of partnership and participation where non-Bank 'participants' and 'partners' can influence the nature of reform, for example, the Bank's interest is in gaining the assistance of government and NGOs that will support the organisation's agenda – an agenda with societal-wide repercussions. Here, writ large, we see what SIN implies for notions of political representation. One of the key contentions of this chapter is that in an attempt to alter

the existing elite-centred (and deeply flawed) institutional structures attached to Philippine politics (a central focus of the Bank's CAS for the Philippines), the limited notions of participation and partnership central to the Bank's approach actually imply another form of elitist politics (based around SIN) and the circumscription of broad political representation.

Intently focused upon implementing a particular form of the state (which is articulated in the CAS), in the case below we see how participation and partnership are oriented towards controlling and marginalising political and ideological conflict – especially that between neoliberalism and a range of more progressive/radical agendas. Here, participation and partnership are 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. Put another way, 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 subjugation 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.[3] This is even more the case in a country like the Philippines, known for a high level of political participation and a very vibrant and active political society. In the following analysis of the Philippines' CAS (2006–08), participation is looked at in two discrete 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' (which constitutes a more minor focus of this chapter, but a focus nonetheless).

The CAS under assessment below was submitted to the Board of the Bank in April of 2005 and covers financial years 2006–08. The decision for the CAS to cover a three-year period instead of the more common four-year term was undertaken to align with both the six-year election cycle in the Philippines and the six-year Medium Term Philippine

Development Program (MTPDP).[4] Subsequently, the CAS is connected to the MTPDP, as 'the country's own vision for development' (see chapter 4), which in other countries could take the form of a Poverty Reduction Strategy Paper (PRSP – World Bank 2005c: 9, 10). Once a country adopts 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 and making an assessment of the degree of alignment between the government strategy and the Bank's agenda, in order to isolate the areas where the organisation can have greatest impact. To paraphrase one senior Bank country office staffer, for the Bank, what is important is that the government has the will to fix the problems that exist (Interview, Manila, April 2005).[5]

The CAS (for any country) was previously considered explicitly as an internal document. However, in the mid-1990s client governments were brought into the CAS formulation process, with the inclusion of other stakeholders, such as 'NGOs, women's groups, trade unions, youth groups, farmers' associations, and the private sector' following shortly thereafter (World Bank n.d.r). The function of participation in developing a CAS is connected to 'generating ownership', which as we saw earlier is about getting the government and broader public on board the SIN project. In the context of developing the Philippine CAS, participation and generating ownership are best analysed through the lens of *consultation,* a word that is often traced back to the Bank's environmental assessments that were incorporated into its projects in the early 1990s (Interview, Manila, 11 April 2005).

Participation in developing the 2006–2008 Philippine CAS

In developing the Philippine CAS, the Bank undertook a consultation process which built upon efforts associated with previous CASs in 1999 and 2002 (World Bank 2005c: 82). The key part of the process involved holding a series of five workshops across the country. It was decided that the main consultation meetings would be multi-sectoral, involving government (at various levels), a broad range of NGOs and religious organisations, and development partners – many of whom had experience working on Bank projects (Interview, Manila, 22 November 2005).[6] 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 (World Bank 2005c: 82). Furthermore, several 'feedback mechanisms' were incorporated (a client survey, CAS completion report and a report to participants), and feedback was also received from a government group that was put together

to 'coordinate with the Bank Group on the CAS and its substance' (ibid.). The involvement of youth, an increasing focus of the Bank, was also incorporated via conferences and workshops around the country that the Bank organised in collaboration with the private sector, NGOs and the government.[7] In addition to these meetings and feedback mechanisms, 'development partners' (bilateral and multilateral agencies) were also met with (ibid.). 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' (ibid.).

The five 'multi-stakeholder consultation workshops' mentioned above involved just under three hundred people in a country of around 83 million people.[8] Two were held in Manila, with single meetings held in Tuguegarao (on Luzon), Cebu and Davao in the latter half of 2004 (ibid.). The majority of participants (38 per cent) came from government (with another 16 per cent coming from local government units – LGUs). 28 per cent of participants were drawn from 'civil society and labour' and members of academia constituted a further 12 per cent. All of the meetings, bar one in Manila, were organised with the help of the Bank's impressive network of 'Knowledge Development Centers (KDCs)', Bank outposts situated in five tertiary education establishments throughout the country (Email correspondence, World Bank – Philippines – October 2005).

The perspectives of meeting attendees present us with some interesting assessments of the process itself 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, the Philippines' populace. Thus, the issue of who is involved and how matters a great deal. In this regard it should be noted up front that the general public was not invited to the meetings. 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. (ibid.)

In inviting participants, the Bank consulted its 'current list of stakeholders', and sought the advice of their sectoral operations staff, government, 'civil society' contacts and the Bank's Knowledge for Development Centres (KDCs), which played host to several of the consultations (ibid.).

The government attendees for the CAS consultations came from national 'oversight and implementing agencies' and local government units (LGUs), with numerous mayors and governors attending. Additionally, the workshops were conducted 'in partnership' with the National Economic Development Authority (NEDA) – the government's main planning agency, with the Bank stating that the CAS consultations presented an 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 (World Bank – Philippines – n.d.: 2). From 'civil society' a broad array of groups was invited, including prominent NGOs consistently hostile towards the Bank.[9]

The meetings were characterised by the Bank as lively. One senior Bank staffer remarked that the events also helped to dispel criticisms of the Bank and erase the perception of the Bank as 'shrouded in mystery' (Interview, Manila, 11 April 2005). Here we see why, as knowledge dissemination and constituency-building exercises, consultative and participatory processes are perceived as value-adding for the Bank. Getting people 'on board' and giving people a sense that they are inputting into the process of 'development' is seen as important for dissolving the perception that the Bank is a monolith, unresponsive to domestic concerns and meddling in domestic politics. However, there are distinct limits to this approach – limits that derive from the divergence evident between the Bank and certain social interests, not to mention between social interests themselves (i.e. between different class actors). These limits were most apparent in the deep cynicism expressed towards the Bank's efforts by those groups that harboured ideological sympathies or concerns about political representation – especially with respect to the poor – that lay outside or that were contradictory to SIN. People from these groups, many of whom are deeply engaged in development issues, are keen to point out the limitations to the Bank's approach to consultation, with some choosing not to participate (despite being invited) for these very reasons. In contrast, groups that have a history of working with the Bank or which perceive an opportunity for working with the Bank are (rather predictably) more positive about the Bank's attempt at consultation and the Bank itself. However, even these groups regularly retain ideological sympathies or concerns about political representation

inimical to the Bank's agenda. Finally, some groups that actually participate in Bank activities (including consultations) point out that many of their peers are quite hostile about their involvement. This is a feature of the relationships between different factions of organised labour and is derived of the class-based political divisions that attend society and the various strategies that actors stipulate in response to such divisions. It is these divisions that SIN's political technologies attempt to wish away. However, beyond *World Development Reports* and CASs, material interests are not so easily disposed of.

To elaborate the relationship between material interests and perspectives on the Bank and its consultation process it is worthwhile looking in some detail at the attitudes of attendees and non-attendees on the substance of consultation and the CAS itself. 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), for example, was very positive about the CAS consultation process and the Bank generally, albeit also offering some perspectives on the economy and labour's relation to it that were in significant tension with the Bank's work. Such a position is emblematic of the complicated position that some trade unions find themselves under the globalisation of neoliberalism, which regularly sees moderate labour groups adopting contradictory positions in their defence of low-skilled, low paid workers. Somewhat favourably disposed towards the Bank, the union leader identified the organisation as an important source of financing and even offered that the conditions that it sets are reasonable: 'if you don't like the conditions you don't borrow' (Interview Manila, 23 November 2005). Notably, the labour leader was also supportive of the final form of the CAS, although harboured very reasonable reservations about its ability to be implemented. Yet many of this person's personal beliefs and concerns pertaining to organised labour were actually antithetical to the Bank's work, and not surprisingly receive no attention in the final CAS. For example, the interviewee felt that when markets were opened, tariffs and quotas were important tools to be used on some goods. This was emphasised as particularly important given the ascendancy of China and a workforce that was competing with that of the Philippines. Perhaps most interesting were the interviewee's positions on wage increases and improvement in the modes of production and the role that they thought the international financial institutions could play in relation to these. On this matter specifically, it was thought that the World Bank (and the International Monetary Fund) should help factories update and create wage increases to stimulate domestic demand.

Yet this person was thinking beyond using market mechanisms to achieve such outcomes, deferring instead to a more social democratic framework that reserved significant roles for non-market interventions and collective action. Indeed, on the latter, a major focus for the union official was to increase membership and representation of the workforce in the Philippines in the face of massive dilemmas of representation that were seen as plaguing chances at achieving collective gains in income. For this official, 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... business income. But business always wants more profit' (ibid.). Of course, such notions of collective action stand in stark contrast to SIN forms of market citizenship, which only permit individuals to make claims on the state in relation to the constitution of the liberal market. Tellingly, 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 for a minute entertain quotas and tariffs to protect vulnerable workers in the Philippines. It certainly does not talk about raising wages or lending to reinvigorate factories (although one could expect that if the market fundamentals were sound for the latter the International Finance Corporation would willingly play a role).

Also relevant to our discussion here is the hostile perception by more radical unions of the TUCP's participation in Bank activities such as the CAS consultations. In this respect, the labour leader points out that the more radical KMU, or *Kilusang Mayo Uno* (May First Movement), while having a large membership, would not participate in the CAS consultations, demonstrating the operation of class allegiances. Indeed, the theme of groups being critical of peer groups for working with the Bank is not uncommon 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 interests and ideology play a role.[10] 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 per cent of the total) for a country that has an incredibly vibrant NGO culture and established labour groups.[11]

Regarding NGOs in particular, the disconnect that exists between some NGOs – many very knowledgeable and active on development issues – and the Bank is at times massive, once again illuminating the

limits to SIN-style participatory processes. 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 was explicit in demarcating the limits to NGO involvement in the Bank's agenda. For this person, there existed three types of NGOs: 'implementing partners'; 'solution finders/providers'; and a group of NGOs that essentially constitute an opposition the Bank's operations. While it was made clear that this final group needed to be listened to, it was also emphasised that it should only be listened to *so far* (Interview, Manila, 11 April 2005). This functionalist compartmentalisation of civil society is, of course, not mentioned in the CAS or the consultation documents. However, somewhat revealing of this tendency is the following quote from the 'Feedback Report to Participants of Multi-Stakeholder Meetings' (associated with the CAS), which draws attention to the difficulties of involving some 'civil society' organisations that are seemingly averse to 'comprehending' or 'knowing their place' 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. (World Bank – Philippines – n.d.: 9)

Such a statement further demonstrates the functional limits of participation within SIN which are quintessentially political ones, drawn by those whose interests do not align. 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. This does not prevent the Bank from calling for 'buy-in from all participants' (in relation to participation and the CAS document generally), which is viewed 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. (World Bank n.d.r)

However, pursuant to their interests, not everyone 'buys in'. 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 *towards the approach to development pursued by the Bank* and often chose to divorce themselves from the Bank's participatory consultations (such as those associated with the CAS) and its work more generally. One person from a well-known regional organisation, Focus on the Global South (Focus), noted that, for various reasons, while their organisation was invited to the CAS consultations they had been disappointed by previous Bank attempts at consultation and thus chose not to participate.[12] Firstly, in their experience with the Bank's participatory processes, people tended to be invited to 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 (Email correspondence, Focus, 9 September 2005; Email correspondence, World Bank – Philippines – October 2005). 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 – this does not happen in practice. 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' (Email correspondence, Focus, 9 September 2005).

One obvious theme that emerged regarding 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. A senior figure in a 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 (Interview, Cebu, 30 November 2005). An academic who played

a key facilitation role in the CAS consultation process was even more explicit in this regard. For this person there were important issues that were not discussed at the CAS meeting and people who were not present that should have been:

> 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. (Interview, Cebu, December 2005)[13]

The academic was also implicitly critical of the NGOs who attended the consultation meetings, and made 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. (ibid.)

When asked whether they had read the final CAS the interviewee illustrated a frustration with the consultation process that several people from more critical NGOs had also conveyed in relation to Bank processes more generally. They 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' (ibid.). A similar point was also made by a member of the clergy who attended the CAS consultation meeting in Cebu. Interestingly, this interviewee was also head of a prominent water-focused NGO and a former President of the local university where the Bank had one of its knowledge outposts. While this person conceded that the Bank tried to listen and 'feel the pulse', their overarching assessment of the processes' attributes was less than-favourable: 'It was a very cursory consultation. The perspectives were already there on the part of the World Bank' (ibid.).[14]

There is, of course, a distinct interest on the part of some NGOs and local government attending meetings such as the CAS consultation

meetings. The League of Corporate Foundations (LCF), a corporate social responsibility NGO whose motto is 'business solutions to social problems', had no formal relations with the Bank at the time of interviewing but was certainly interested in pursuing these. Tellingly, LCF's members were very excited to point out that the World Bank saw a match between the CAS and LCF's strategies. The eagerness demonstrated on the part of some NGOs to work with the Bank was clearly present at the meeting in Cebu, where it was noted that there was enthusiasm on the part of participants in the CAS consultation meetings as to how they could avail the services of the World Bank (Interview, Cebu, 30 November 2005). Indeed, the Bank was clearly keen to connect up with organisations that it saw as aligning with its agenda. At the meeting for the Visayas in Cebu, the then World Bank Country Director for the Philippines, Joachim von Amsberg, promoted the opportunity for organisations to tap help from the Bank and talked about assisting LGUs in particular (Interview, Cebu, 30 November 2005).

Nevertheless, some NGOs do choose not to attend World Bank consultation meetings associated with the CAS (and other processes), and it is important to understand why. This reveals much about the Bank's approach to participation and partnership and the way in which the approach dissuades some groups from participating in future events. Various interviewees mentioned that when they conveyed dissenting views at consultation meetings run by the Bank such views were not reflected in the final published proceedings. 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 interviewees conveyed a range of emotions ranging from resignation and frustration to outright anger at the use of their names in this manner, arguing that this appeared to be an attempt by the Bank to demonstrate legitimacy and endorsement for their proposals that belied reality.[15] 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, the organisation did not want to engage and in particular was uninterested in NGOs inputting into policy formation (Interview, Quezon City, 15 April 2005).[16] On policy in general, this interviewee found the Bank to be very defensive of its position. This respondent stipulated that while the Bank incorporated participatory elements into the development of the CAS, it already had the all-defining 'matrix' worked out, which would detail precisely what would end up in the document.

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' (von Amsberg 2004) with the CAS's final form, demonstrates the continuity between what the Bank was wanting to address (in the briefs) and the way in which *they would be addressed* in the CAS. Crucially, despite the consultation processes there is no substantive thematic difference between the briefs and the CAS.[17] Further to this, given their timing, the discussion briefs represent real agenda-setting documents for the CAS process – signalling the Bank's intentions (although they are stated as not necessarily representing the institutional views of the organisation) (von Amsberg 2004).

Talking to the Washington-based Program Coordinator responsible for drafting the CAS about the production of the document provides further explanation as to why there is only limited potential for outside entities to influence the document. Indeed, understanding the manner in which a CAS is produced goes a long way towards explaining why they often end up looking so similar. A CAS is produced in a step-by-step process, involving guidelines to work from and numerous committees of review (within the Bank) (Interview, Manila, 21 November 2005). Once consultation meetings (like those covered above) have taken place, with no clear arrangement evident to incorporate the views articulated by those consulted, the document is then drafted (a process which crucially includes looking at other CASs). The document is then submitted for internal processes of review that take place with the intent of representing all sectors within the Bank. Interestingly, in describing this process, the Program Coordinator responsible for putting the CAS together also points out that where their office is located 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' (ibid.). On top of this, there is a formal standardisation step in the overall process, with the Operations Policy and Country Services section of the Bank responsible for ensuring that everything is as it should be. A process of discussion and consultation takes place with the Bank's Board – a process that Bank staff see as different from attaining approval but which must assist with generating a document that the Board would be receptive to.[18] 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 the Board. In the case of the Philippines the Bank's Board was essentially concerned with economic risk. 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.[19] This said, the Bank's Executive Directors viewed the CAS very positively and the CAS was recognised as an example of Bank 'best practice', with positive feedback gained from other country offices.

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 that further constrain the potential for anything other than very instrumental approaches to consultation. Indeed, perhaps the most important constituencies that affect the document's end form are those within the Bank. For example, as one Bank staffer noted in relation to producing CASs, 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 faced in forging a document like a CAS. Satisfying such interests is obviously more in the immediate interest of those producing the CAS than any other external concern emanating from civil society or elsewhere.

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 integrated into the form of the CAS itself. This follows the SIN concern for implementation and monitoring (covered above in the previous section) perfectly. 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. In dealing with this, 'participation' and 'partnership' are whipped into action as political technologies to achieve implementation.

Unsurprisingly, given the limitations on the participatory process associated with developing the CAS, the terms, assumptions and the foci within the final document adhere, without exception, to a classic SIN ensemble. When the core programme outlined in the CAS is linked via 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 programme 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.[20] Importantly, it will be made clear that there exist real tensions 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 associated with particular forms of civic engagement where actors have the potential to influence politics and institutional form in ways of their choosing. The call for a strong state implies circumscribing the nature and function of participation and partnership in ways that expressly serve the Bank Group's self-interest.

The lack of divergence from SIN in the CAS is illustrative of the extremely narrow forms of participation that accompany the development of the Bank's most important document for a given country. In the current Philippine 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' (World Bank 2005c: 1, 8, 13). Consequently, 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' (ibid.).

However, for the Bank the antidote to this disconnection between government and the public is not to get the latter more involved in politics. Rather, the purpose of the CAS is about securing the elite grounds upon which change in line with the Bank's immediate interest can be secured – although the language of capture by special interests (so prominent in orthodox analyses of problems with neoliberal implementation) is not of course used in this instance. Indeed, the CAS seems to harbour grave reservations for democratic processes and democratic reforms as a way of rectifying this 'frail social contract'.[21] 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' (World Bank 2005c: 12). Subsequently, '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 to the ideal SIN state: '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

resources to the state. A stronger state will be able to increase social inclusion and cohesiveness' (ibid.: ii).

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' (ibid.). Yet a strong state is only desirable from this perspective when it favours a suitable set of interests. While the notion of a strong state is set up as a rational-ideal type (as it often is in Weberian conceptions), it is actually 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 in the CAS of the following quote from one of President Gloria Macapagal-Arroyo's advisors, Rigoberto Tiglao, who emphasises that a strong state should be autonomous of sectoral and class interests, a tall order in a country famously dominated by oligarchic families (see the previous chapter for example): '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' (ibid. 12).

The representation of the people's interest, especially in a situation of chronic inequity and corruption (according to the Bank's 2006 data more than 55 per cent of Philippines lives on less than US$2 per day), is of course vital.[22] However, this utopian conception of a strong state that seeks to wish away class realities and interests has a distinctly political purpose, connected to a predefined understanding of what constitutes the people's interest. '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. In essence it is assumed that the SIN technocratic order *is the people's interest – whether people like it or not.*

The bulk of the CAS's thematic foci are situated around generating a SIN response, drawing heavily upon the new basics, 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. (ibid.: 9)

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.[23]

It was pointed out earlier that the CAS, despite consultations, is very much the product of an internal dialogue/process within the Bank. To this end, certain paragraphs in the document appear to be 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 – as is the case generally with CASs – 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 over implementation comes from. The rather frank and

comprehensive 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' (World Bank 2005c: 56). The report identifies several areas for evaluation and involved 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' (ibid.). The overall picture that is drawn by the completion report is mixed. Revealingly, however, the Bank makes clear that many of the key constraints to achieving its goals were 'political and outside the Bank's immediate sphere of influence' (ibid.: 61–2).

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 in the Philippines. Lending is characterised as being 'lower than planned' for the period 2000–04 (FY), with little doubt as to the fundamental reason for this:

> 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. (ibid.: 62)

The completion report concludes 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 (ibid.: 65–6). 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 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. (ibid.: 65)[24]

As an exercise for drawing lessons for the preparation of the current CAS, 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 (ibid.: 56). 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' (ibid.: 10). In turn, 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 (ibid. 46). 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.

Not surprisingly, the importance of partnering with government, local and national, is given great weight. 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, both as targets of reform and 'containers' of elements crucial to promoting and facilitating reform, at the centre of the Bank's agenda. It will be recalled from the first section of this chapter that government was a significant

participant overall in the consultation processes associated with developing the CAS and that the CAS's consultation workshops were organised simultaneously with the government's canvassing of its own plan (the MTPDP). The Bank makes much of this relationship in the CAS while also highlighting consultation efforts with other stakeholders in an effort to convey the perception ownership. Here, the Bank emphasises that the strategy 'applies key lessons' from past 'engagement' and feedback from stakeholder consultations, while building upon the MTPDP (ibid.: 10).[25] In this respect, the Bank has 'reconciled' the MTPDP and CAS themes in a way that conveys compatibility-through-consensus, a picture which assists in lending legitimacy to the CAS (which is seen as being compatible with the 'country plan') and, crucially, implying 'ownership'(ibid.: 4).[26] Of course it should be remembered that the relationship between the CAS and the MTPDP development plan is a political one also, with the MTPDP being a prerequisite for a CAS, which in turn is essential for the Bank's country programme to continue.

However, beyond the connection with government through the MTPDP there is a further 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 (ibid.: 32). In deciding upon the 'thrust' of support (a key purpose of a CAS), the current CAS emphasises the importance of tying assistance 'to the quality and implementation of reforms, [and] groups that show the most promise of becoming islands of good governance' (ibid.: 33). 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' (ibid.: 34). The Local Government Code of 1991 shifted responsibility for many services to the LGUs. Subsequently, the Bank has strongly recognised the importance of the LGUs in relation to its operations, stating that the Units lie 'at the forefront of development and poverty alleviation' (ibid.).[27] In particular, the Bank is clearly interested in promoting 'well-functioning' LGUs as 'islands of good governance' (picking up on the title of the CAS), for replication elsewhere. To this end it proposes a performance and capacity framework for increasing the accountability of LGUs and countenancing the decentralisation process more broadly (ibid.: 35).

In contrast to the considerable attention given to partnering government, the actual attention given to what the Bank calls civil society in

operationalising the CAS is almost non-existent, save minor mention of its role in areas such as monitoring government (World Bank 2005c: 47). This is perhaps because the CAS's emphasis upon LGUs somewhat replaces the functional need for the participation of a broader array of actors, which the Bank has clearly found frustrating at times (as noted earlier). This is despite the Bank remaining very positive in the CAS about its 'outreach efforts to involve civil society and beneficiaries in project preparation and implementation' (World Bank 2005c: 28). Indeed, considerably more emphasis is placed upon partnering government (national and local) and other development organisations and multilateral agencies (World Bank 2005c: 49) – a point that stems from purely instrumentalist concerns.

Conclusion

The foregoing review of the CAS demonstrates that in the Bank's hands participation and partnership are functionally connected to the constitution and sustenance of market society. Importantly, while the participatory processes associated with the development of the CAS are highly circumscribed, it is within the CAS itself that the political limitations of participation and partnership are perhaps most significantly revealed. Here, participation and partnership are tasked with embedding a very specific type of governance, centred on a strong neoliberal state. This strong state implies a limitation of popular political influence where people, convinced of the state's legitimacy, cede power to it as a custodian of the market. In short, within SIN we see a highly controlled application of political technologies that seek to build constituencies for reforms that themselves relate to a narrowing of the popular capacity to influence the form and function of the state.

Yet the capacity of political technologies like participation and partnership in the new development governance to ensure the constitution and sustenance of market society is far from clear. This results from the inherently political nature of societies, replete as they are with class tensions and other asymmetries of power. In many ways, the fact that certain actors find the participatory processes associated with the CAS (a document that charts a new path for both state and society) palatable while others are hostile towards the Bank's approach, or abstain from it altogether, bears this tension out. What the analysis of the CAS consultation processes above reveals is that the boundaries of partnership and participation in the development of a document like a CAS are fundamentally shaped by the ideological, political and interest-based

commitments of both the Bank and the diverse array of actors that pertain to its activities.

That the CAS constitutes a SIN blueprint *par excellence* – free of any alternative or critical perspectives whatsoever – further demonstrates the limited potential to influence the production of a document like a CAS. However, the blueprint itself is at the core of a project to build a form of market society that also has significant repercussions for notions of representation. Here, a strong state, operating in concert with other congenial development partners, is idealised as a politically insulated market custodian that can help craft opportunities for the poor to participate within the market – an approach to poverty reduction that never entertains the idea that non-market redistribution is necessary to address societal asymmetries. In some contrast with the Bank's rhetoric, yet completely consistent within the strict confines of a technocratic approach to embedding market society, this model's lack of participatory space is further emboldened by the replacement of 'civil society' with those local governments that Bank views as 'islands of good governance'. Here, the narrowing of political participation in the interests of creating a technocratic state derives from recognising the ascending importance of LGUs and the frustration of the Bank's experience with NGOs in the Philippines. Yet at the centre of the Bank's SIN, which marries illiberal politics with liberal economics, is an irreconcilable tension between the promotion of a liberal market society and the array of interests (even including sections of capital) that take issue with such a project. While the ideological impact of many of the elements within SIN may take root in certain quarters of the societies where it is attempted, the realisation of the idealised neoliberal market society is far from assured, subject as it is to the realities of politics.

7
Everyone Loves a Winner: the Politics of Partnership in Vietnam and Cambodia

In earlier chapters it was demonstrated how partnership performs a crucial role within socio-institutional neoliberalism (SIN) – a role that is part of a broader programme emphasising the intersecting elements of ownership, participation and development results. It was also noted how the focus upon partnership and the Comprehensive Development Framework (CDF) dovetailed with the aid harmonisation agenda of the Organisation for Economic Co-operation and Development's Development Assistance Committee (an agenda given particular voice in initiatives such as the Rome and Paris Declarations and the Accra Agenda for Action). This chapter looks squarely at SIN's emphasis upon 'country partnership', and its relationship with ownership and harmonisation. It argues that while 'country partnership' can be conceived of as the product of an array of political technologies (such as participatory processes) and delivery devices (the interlocking of Country Assistance Strategies (CASs) and Poverty Reduction Strategy Papers (PRSPs), for example) to circumvent reform impediments and contribute to 'aid effectiveness', the concept has massive limitations.

Specifically looking at the cases of Vietnam and Cambodia, this chapter describes how the real-existing partnerships that the Bank has with recipient countries are not primarily determined by new technical efforts to harmonise in the interests of aid effectiveness (embodied in the Rome or Paris Declarations which emphasise ownership, alignment, harmonisation, results and mutual accountability) or even, somewhat surprisingly, the product of the degree of 'country ownership' of the new basics (a key emphasis of the CDF). Rather, the Bank's partnerships with recipient governments result first and foremost from the interplay of competing and cooperating actors and their variously diverging and intersecting interests: the 'politics of partnership'. In essence, the

technocratic efforts at fostering country partnership embodied within SIN – through connected harmonising structures, projects and programmes – do not amount to much in and of themselves. Rather, it is the reconcilability of interest and, in particular, legitimacy as a key interest of both the Bank and a given political regime that determines a 'robust' Bank–country partnership. When this reconciliation takes place, partnership practically takes care of itself. When it does not, all of SIN's political technologies and delivery devices designed to foster 'partnership' and 'ownership' can do little to rectify the situation.

We have seen in earlier chapters how making loans and pushing neoliberal reform are big parts of what the Bank does. The Bank's staff (some more than others) pursue these interests with a constant eye on ensuring organisational legitimacy, which in large measure is attached to shielding the organisation from scandals (such as corruption and other negatives that can be associated with projects and programmes) and, a somewhat more difficult task, demonstrating links between what the organisation does and fulfilling its self-proclaimed mandate of reducing poverty. However, the world's leading 'development' organisation now regularly finds itself in a complicated bind. It simultaneously attempts to embed SIN reform and extend loans, often in less-than-ideal environments plagued by governance issues (or less euphemistically, corruption). The Bank also has to compete against new and not-so-new 'development' actors, which impact the organisation's leverage significantly. Competition from the likes of the Asian Development Bank (ADB), which has interests somewhat similar to that of the World Bank, is nothing new. Yet, the more recent 'development' efforts of China, fresh investment flows from 'emerging markets' and deeper capital markets, are novel factors affecting the Bank's power and, subsequently, its work. These new streams of money – which are often free of the sort of conditionality and safeguards attending World Bank lending – can be a boon to governments faced with tackling their own pressures of legitimacy and maintaining and/or consolidating power in ways that are incompatible with the interests of the Bank.

How the interplay of interests results in a given partnership is worthy of consideration, for the politics of partnership can deliver surprising results. Take for example Vietnam – the first case study in this chapter. Vietnam is a country governed by a communist party (the Communist Party of Vietnam) which, subjected to various pressures (including popular legitimacy), has developed a heterodox policy set that includes both market and non-market elements. Yet despite this, Vietnam's partnership with the Bank is large and lenient and the Bank occupies the

position of lead donor in the country, both in terms of contributions and government–donor relations. Disentangling the politics of partnership goes a long way to explaining this rather felicitous arrangement, which includes significant grant-bolstered, highly-harmonised budget support over time, helping to rank the country as the third largest official development assistance (ODA) recipient in the world (World Bank 2006a: 30).[1] First, for the world's leading institution tasked with poverty reduction, Vietnam – a development winner *par excellence* – cannot be ignored. Despite remaining poor – the country's per capita income for 2005 was US$620 (World Bank 2007a: 16) – the country has simultaneously achieved high sustained growth rates and significant improvements in key poverty indicators. While these achievements have not simply been realised through a wholesale embrace of SIN's dictates, there is enough in Vietnam's story (such as the selective embrace of market mechanisms and competition, and an increasingly prominent position within global production chains), to render it palatable to the Board and others within the Bank, although country staff have to make continuous efforts in legitimising the Bank programme to Washington. Second, the Bank has an interest in making sure that Vietnam, which is not aid-dependent,[2] will not only achieve middle income status but will also graduate to borrow from its interest-bearing lending facilities. Finally, the organisation is keen to continue its policy dialogue with the country – a point raised time and time again in official documents and reports. This said, policy differences between the Bank and the Government of Vietnam, issues of reform immobility, not to mention the prevalence of corruption in the country, play a greatly reduced role than in other country settings, with leverage on Vietnam's side in the partnership. In short, the Bank, not in a position of strength but with much to gain in terms of legitimacy and material interest (lending opportunities), wants to be associated with Vietnam, a development winner.

The World Bank–Cambodia country partnership constitutes a markedly different story, conditioned as it is by the Bank's strained relations with the prevailing Cambodian People's Party (CPP) regime and the networks of patronage and corruption with which the CPP is prominently associated. The Bank's financial commitments to Cambodia – which in 2005 had a per capita gross national income (GNI) of US$430 (World Bank 2007a: 14), ranking it among the poorest countries on earth – are both smaller on a per capita basis than its commitments in Vietnam (the reverse position of donors such as the ADB) and are relatively minor in comparison to other donors in the country. Of course, comparing aggregate flows only gives a superficial picture of a partnership.

However, the latter is brought into sharper relief when the content of the Bank's country programme is taken into consideration. Tellingly, the Bank's programme incorporates, to the exclusion of almost all else, a massive focus upon 'governance'. And while most 'traditional donors' have similar reservations about governance in Cambodia, none are as 'gun shy' as the Bank. In stark contrast to the situation in Vietnam and despite Cambodia being plagued by donor fragmentation, the Bank's country portfolio includes only a very recent and timid movement towards using the ultimate 'harmonising' and 'country partnering' instrument of budget support. The small amount of budget support that exists focuses very deliberately upon a few narrow areas, such as public financial management, where reform appears possible (a concern which, while definitely evident in Vietnam, seemingly plays a very small role in determining the Bank–Vietnam partnership). This highly-constrained country programme is not just the result of reform immobility though. Indeed, issues of legitimacy are of paramount concern for the Bank in Cambodia, where high-profile corruption scandals have impacted directly upon the Bank's portfolio. Making matters worse for the Bank in Cambodia is the diminished leverage that the organisation faces there, a situation derived from the very active involvement of other 'development players', such as Japan, China, South Korea and the ADB – not to mention new sources of foreign capital – eager to be part of the country's tumorous yet, ultimately for a few, profitable trajectory. While market reform has well and truly taken place in Cambodia and growth is high (yet extremely concentrated), the resulting story is not one that the Bank can be associated with beyond its current commitment, the latter of which is of seemingly limited utility to all parties (the Bank, the state, the regime, and the poor) concerned.

A marriage of convenience: the World Bank's partnership with Vietnam

Much like the Asian miracle (covered in chapter 2), Vietnam's development story has understandably attracted the attention of orthodox development, despite not adhering to its strictures. In 1975, after decades of conflict exacted a devastating toll on its population, the country emerged from war bequeathed with one of the poorest living standards in the world (Tran Nam 1999: 233; Rama 2008: 9). Yet, by the turn of millennium, Vietnam ranked with China as one of the world's fastest growing economies, averaging growth of 7.6 per cent per annum (Fritzen 2002: 636). More than growth alone, however, the country of

85 million people has also demonstrated substantial reductions in poverty. Indeed, as many including the Bank proudly proclaim, not only is Vietnam poised to reach so-called 'middle-income' status shortly,[3] it is also set to realise all of the Millennium Development Goals by 2015 (NGO Resource Centre 2008: 4).

Not surprisingly, Vietnam's impressive growth, combined with declines in absolute poverty, has made it a veritable, yet somewhat complicated, poster-child for the World Bank (Fritzen 2002: 636; World Bank 2007b). Notably, in 2007, having only recently assumed the Bank presidency, Robert Zoellick visited Vietnam declaring, 'Vietnam has the potential to be one of the great success stories in development. It has already achieved one of the fastest improvements in living standards in the world, with a great reduction in poverty' (World Bank 2007b). Here was the President of one the world's most important neoliberal organisations, very publically prioritising the development story of a country run by a communist party – a story which, as is made clear below, has not resulted from a wholesale adoption of SIN. Yet, demonstrative of the country's heterodox approach and fortuitously for the Bank, neither has Vietnam unambiguously shunned SIN either. Indeed, in important ways the country has been associated with SIN from its early stages, serving as a pilot for CDF (see chapter 4). On this and other counts, Vietnam receives significant approval from the Bank. For example, a report by the Bank's Operations Evaluation Department on the implementation of the CDF in Vietnam talks favourably of the country's long-standing commitment to poverty reduction, prudent aid management (despite a lack of donor conditionality), and the level of 'ownership' derived from a history of central planning (World Bank n.d.u: x–xi).

This fondness for the Vietnamese development narrative also extends beyond reports and presidential pronouncements. Notably, the reverence that Bank staff have for Vietnam redounds in interviews in Hanoi and Washington, with senior country office personnel talking candidly about Vietnam's impressive achievements, albeit while taking care to air concerns about the nature and pace of reform and the importance of having the right institutions in place to avoid the 'middle-income trap'. Overwhelmingly though, the remarks of Bank staff pertaining to Vietnam are very positive, especially with regard to the hitherto holistic and inclusive nature of Vietnam's navigation into the global capitalist political economy. Explaining the country's success, they turn to its record of maintaining macroeconomic stability, the prominent place afforded to education, and the efforts to ensure that people – even in the remotest of areas – are included in infrastructure and service considerations. They

predictably emphasise the importance of Vietnam's accession to the World Trade Organization in 2006 (in which the Bank played an important role). Finally, some World Bankers talk warmly of a state that has a slow yet robust way of building consensus, despite the decisions arrived at sometimes frustrating Bank efforts (Interviews, Hanoi, 26, 28 May 2009; Interview, Washington DC, 1 February 2008).

From this survey, the results of which touch upon many of SIN's fundamentals ('holism', 'ownership', commitments to liberalise etc.) one might assume that Vietnam has been a veritable 'model' of SIN reform. However, it is important to place the country's development trajectory in perspective, because such a binary reading undervalues the efforts over time made by the Communist Party of Vietnam (CPV) to find different ways (including using market mechanisms) to improve standards of living while maintaining a commitment to many core socialist values (Masina 2006: 2–3) – values which are inimical to SIN. Remaining cognisant of this places the Bank's fondness for Vietnam (displayed in a large country programme with significant budget support – dealt with below) in better light, because there is also much in the Vietnamese story that in other settings would curtail country programmes markedly and strain Bank–country partnerships.

Masina (2006: 3) has eruditely detailed the manner in which Vietnam's navigation towards its present position has been significantly 'imposed' rather than 'freely chosen'. After reunification in 1975, the country faced a set of experiences that formed the impetus for the shift from central planning to a 'socialist market economy'. Diminished aid flows, the invasion of Cambodia (which marginalised Vietnam internationally and led to Chinese military action), poor harvests and failures of planning, led to a 'systemic crisis' that prompted 'a spontaneous process of change' involving increasing experimentation with market mechanisms (Masina 2006: 56; Beresford and Phong 2000: 23–4; Phong 2004).[4] Initially, Vietnam's crisis generated the proliferation of so-called 'fence breaking' measures – unorthodox approaches in the context of central planning – deployed to mitigate the often extremely adverse conditions (including famine) experienced. Importantly, fence-breaking efforts regularly involved local party officials, rather than constituting a wholesale attempt at reform from outside the party structure (Masina 2006: 57; Beresford and Tran 2004: 7; Phong 2004: 34; Rama 2008: 15). Such efforts demonstrated a socially conscious pragmatism in the face of the failures of planning and massive external constraints (such as the then prevailing US trade and investment embargo). Fence-breaking measures also illustrated a somewhat symbiotic relationship between state and

citizen, a relationship which has endured (Beresford and Tran 2004: 7; Phong 2004: 46). Crucially, such efforts could not easily be seen as some sort of embryonic class-based response to dethrone collective patterns of governance. Rather, they constituted efforts to find innovative (if sometimes also contradictory) ways forward for the broader population given existing constraints.

By the beginning of the 1980s, core structures of central planning were being challenged and dismantled, with decollectivisation and the selling of surplus production on the market becoming apparent. Further, pressure was also brought to bear on state industry to change its practices, and the lacklustre outcomes of an attempted recentralisation push presented an opening for a stronger reformist tendency to emerge. At the Sixth Party Congress in 1986 (often taken to be the significant starting point of Vietnam's economic reform), there was an official recognition of a role for domestic and foreign private sectors, an embrace of a more open economy and emphasis placed upon production for export, consumer goods and food (Phong 2004: 36–7). Known as *doi moi* (or 'renovation'), such reforms demonstrated an acknowledgement of the need to pursue new approaches in the face of both severe domestic constraints and the evolving international situation. State-owned Enterprises (SOEs) were given more autonomy and the state monopoly on international trade was eliminated. Further to this, in the years following the Sixth Party Congress, government increased its investment in agriculture and agricultural production became more diversified – undertakings which, along with others, yielded significant improvements in livelihoods and reductions in poverty (Masina 2006: 59–61).[5]

The collapse of the Soviet Union at the turn of the decade changed matters substantially. Declining aid from the Eastern Bloc (also an important export market) and political and military isolation provided a new impetus for continuing reform and revisiting economic and other relations with the outside world. Quite remarkably, Vietnam was able to achieve felicitous relations with a whole host of countries with alacrity. Having exited Cambodia in 1989, relations with China and Vietnam's Southeast Asian sovereign affiliates improved, with the country joining the Association of Southeast Asian Nations (ASEAN) in 1995 (ibid.: 63–4). In an effort to improve material conditions for its population, Vietnam was renegotiating its way into a new post-Cold War world in which former allies were transforming and diminishing in stature and where Asia was now an important site of both production and, increasingly, consumption.

In the wake of the initial reform process, the role that Vietnam could play in the global economy was rapidly recognised by international capital. In particular, Vietnam offered significant opportunities for American, Japanese and European business interests eager to capitalise on the benefits that the socialist country had to offer. The Clinton Administration's efforts to ease the long-standing trade and investment embargo that had been in place for almost twenty years were intended to ensure that American interests would not lose out to their fellow competitors in accessing the country's well-educated populace and natural resources – important inputs for rapidly globalising production chains (Holmes 1994). In 1993 the US removed its restrictions on the flow of multilateral aid to Vietnam, allowing the World Bank to lend to the country. A year later the world's most important economy did away with the trade and investment embargo against Vietnam, and diplomatic relations were restored soon after (Masina 2006: 64).

The demise of US opposition to international financial institution (IFI) lending to Vietnam facilitated a significant increase in ODA flows. While pledges well and truly exceeded disbursements (of the US$2.4 billion pledged in 1997 just three years after the *rapprochement*, only US$944 million was disbursed), 'development' was clearly keen to get involved in Vietnam in a significant way. Simultaneously, foreign direct investment (FDI) inflows into the country escalated substantially and exports increased. Between 1989 and 1996, foreign trade went from 46 per cent of gross domestic product (GDP) to just shy of 100 per cent (although this was accompanied for some time with current account balance problems). Manufactured goods increased from approximately 2 per cent in 1990 to nearly 30 per cent just six years later, and between 1994 and 1997, exports in core commodities such as oil, rice, garments and footwear increased markedly (ibid. : 65–7). In a very short period of time, the country shed its status as a crisis-prone, highly dependent and centrally planned entity, adopted a broader heterodox development programme, and became an increasingly important site of global production.

Crucially, the heterodox programme adopted shielded certain areas, such as the banking sector, from reform. It also incorporated important non-SIN policy measures to offset increases in inequality derived from the reform process and compensate those whose interests, including workers in state-owned enterprises (SOEs), were negatively impacted by reform. Such measures included ongoing cash compensation schemes to workers laid off from restructured SOEs and significant fiscal transfers to provinces left behind. Notably, the 'market-distorting' redistributive

measures to Vietnam's regions saw some receive the equivalent of half of their GDP through such measures – a volume relatively greater than the redistribution that accompanied European integration (Rama 2008: 30–1).

While the last elements of the story are hardly standard SIN prescriptions, the market-embracing and poverty reduction side of Vietnam's story resonates well with the Bank's agenda, at least partly explaining the size and substance of the Bank's country programme in a country that continues to attract substantial allocations of 'soft' money. While Vietnam is not aid dependent – one Bank staffer remarked that the Vietnamese often remind donors that ODA is important but not indispensable – ODA continues to flow into Vietnam at record rates, a fact to which the Bank contributes significantly. At the annual Consultative Group (CG) meeting in Hanoi in 2008, and in the midst of the worst economic crisis since the Great Depression, donors pledged no less than US$5 billion in grants and low interest loans to Vietnam, a figure which was down slightly from the year before, when donors put up US$5.4 billion. Of the US$5 billion pledged at the CG (which the Bank co-chairs with the Government of Vietnam and which draws together government, the donor community and some members of 'civil society'), the World Bank accounted for US$1.66 billion, newly positioning the organisation as the lead donor in the country (taking over from Japan (Associated Press 2008)). Notably, within the Bank's global portfolio, Vietnam is the second largest borrower from IDA (after India) and, despite low disbursement rates, the organisation now stipulates annual lending envelopes of around US$900 million. Further, the activity of other entities within the World Bank Group is also growing in the country, with the IFC, for example, projecting an investment programme of around US$100–150 million per year between 2007 and 2011 (World Bank 2007c: viii; Rama 2008: 35).

However, it is not just sizeable figures that demonstrate the fondness that the Bank and other donors have for the country. Indeed, both the *nature* of the Bank's programme and the willingness of other donors to *harmonise* around one of the Bank's key facilities – a budget support instrument known as the Poverty Reduction Support Credit (PRSC) – is also revealing, especially given that many of the concerns that the Bank often highlights in other country contexts are also present in Vietnam. Yet Vietnam is a special case, for the Bank needs Vietnam, more than Vietnam needs the Bank. Emblematic of this, one senior World Bank country staffer mentions that 'at any point they can tell you "see you later"', emphasising that it is naïve to assume that a few hundred million dollars will 'bend them' (Interview, Hanoi, 26 May 2009). This person

cites the IMF's departure from the country in 2004 as particularly instructive of this as being no idle threat, driving home the notion that the leverage between Vietnam and the Bank is completely different to that operating elsewhere.[6] Yet, rather than this situation curtailing the programme, this reality is positively perceived by the World Bank staffer as a situation where 'sometimes you need to jump under conditions that you would not dare to in different environments', with a core example of just such a jump being budget support (covered below) (ibid.).

This interesting relationship goes a long way to explaining the Bank's country strategy, which plays down issues that one might think would be dealt with front and centre by the Bank – issues such as reform immobility and corruption – while remaining meek on conditionality, and generous on extending funds to be entirely managed using country systems. In Vietnam, the Bank has moved from a CAS to the more consensual-sounding Country Partnership Strategy (CPS), a strategy document typically reserved for middle-income countries, where leverage is diminished and where the Bank is keen to establish a good middle-income client (CEE Bankwatch n.d). The CPS for 2007–2011 is aligned with Vietnam's Social and Economic Development Plan (SEDP – the country's PRSP) and, in classic PRSP/CDF/SIN 'best practice', is structured around supporting the four key pillars of the SEDP: improving the local business environment; strengthening social inclusion; strengthening natural resource and environmental management; and improving governance (World Bank 2007c: vi–vii). Within each of these areas the Bank has earmarked obvious SIN foci for attention. For example, to support the improvement of the local business environment, the CPS signals a desire to reform the banking and financial sectors (including privatising state-owned commercial banks), enhance competitiveness and facilitate 'full integration [into] the world economy', reorient education to the needs of the labour market, and promote public–private partnerships in the transport and energy sectors (ibid.: vii, 26–30).

The sections in the CPS devoted to the remaining three pillars of the SEDP follow a similar trajectory, and it is surplus to requirements to look at them here. However, the CPS's emphasis upon improving governance (pillar four) is particularly relevant to our analysis and deserves some scrutiny. This is because, as we saw earlier, governance became an overarching focus for the Bank under Wolfensohn, and has since been reaffirmed under the Wolfowitz and Zoellick presidencies. Crucially, governance concerns can significantly constrain World Bank–recipient country partnerships in other settings, as the second section of this chapter demonstrates dramatically. However, while governance issues

have to be addressed in the CPS (they are a pillar of the SEDP and Vietnam does have a reputation for corruption and opacity in decision-making), they are couched in a way that, while perhaps not inaccurate, is no doubt intended to be more palatable to *both* the Bank's Board and the Vietnamese government.

Not surprisingly, especially given the prominence of budget support in the Bank's Vietnam portfolio (discussed below), the CPS's section on governance emphasises the importance of strengthening public financial management and issues the now-perfunctory liberal clarion calls of accountability, voice and transparency. In a rather conciliatory tone, considerable space in the strategy is also dedicated to detailing *the nature of corruption* in Vietnam, offering that while the country is regularly denounced as 'widely corrupt [...] the reality on the ground is more complex' (World Bank 2007c: 14). Here, the CPS acknowledges that Transparency International's 2005 Corruption Perception Index ranked Vietnam 107th, beneath countries such as Laos, China and Thailand and on a par with Zimbabwe and Kazakhstan (Transparency International 2005). However, the CPS, drawing upon the Bank's own Investment Climate Assessment, makes the case that corruption is not an important constraint on business activity, and whilst the abuse of public office is widespread, it is also generally petty.[7] Crucially, despite pervasive-though-petty corruption and even evidence consistent with collusive practices being found in Bank-funded projects (World Bank 2007c: 15), governance issues are in no way seen as a serious constraint on the Bank–Vietnam partnership.

Particularly demonstrative of this is one of the key instruments within the Bank's country strategy in Vietnam – a form of general budget support known as the PRSC. The PRSC is central to the Vietnam–Bank relationship and comprises a 'relaxed' approach to allocating significant sums of money (including large grant components not requiring repayment) ostensibly allocated in the pursuit of 'policy dialogue'. Like many of SIN's components, general budget support (also known as 'partnership general budget support') was a response to 'dissatisfaction' with earlier neoliberal approaches to 'development' and is often now a key plank in aid effectiveness/harmonisation approaches (OECD 2007a: 1). General budget support comes in different shapes and sizes. However, as its name suggests, it typically involves providing funds to government that are not directly connected to specific projects or expenditures. Not surprisingly, 'development' organisations often get very nervous about budget support due to the various risks associated with it, not the least of which is the potential for 'fiduciary risks', including corruption (ibid.: 4).

As a form of general budget support, the PRSC has allocated substantial amounts of money over time to Vietnam and now constitutes an important instrument for a range of donors to harmonise around. As one person closely involved in the PRSC stated, for those interested in policy in Vietnam 'it is the game in town... you have to participate in PRSC' (Interview, Hanoi, 26 May 2009). The Bank is now in the process of taking its eighth annual PRSC, with a value of US$150 million, to the Board for approval (with the previous two PRSCs also valued at US$150 million each).[8] The PRSC brings together an impressive array of actors, including the Bank, high levels of government and other donors (World Bank 2006a: 36). Formally, Vietnam's First Deputy Prime Minister is directly responsible for the PRSC process, with a PRSC secretariat within the State Bank of Vietnam (the responsibility of one of the Bank's Deputy Governors) being a crucial organiser and conduit between government and donors. Importantly also, the instrument incorporates twenty ministries and agencies. On the donor side, the PRSC involves 15 donors, including AusAID, DfID, DANIDA and the United Nations Development Programme, many of which provide significant levels of co-financing (Cox 2006a: 3; World Bank 2007c – Annex B3: 1).

While the first PRSC is described frankly by Bank personnel as structural adjustment, the instrument is now seen in a vastly more genial manner as a 'platform for dialogue' (World Bank 2007c: 47; Interview, Hanoi, 26 May 2009).[9] And this is not simply rhetoric. The PRSC makes significant use of 'country systems' in core areas. Funds are allocated to the State Bank of Vietnam, with government systems utilised for disbursement and financial accountability (Cox 2006a: 3). The PRSC also incorporates a sectorally oriented policy matrix, which is focused around the pillars of the SEDP[10] and the CPS (noted above), with each sector building in particular reform triggers – the only hint of conditionality in the instrument.[11] In a truly 'harmonised' way, that raises the question of the causal link between the PRSC and achieved reforms,[12] the triggers are put forward by donors 'work[ing] backwards' from Vietnam's own development agenda, in a process that is 'determined through discussion with Government' (Cox 2006a: 5). Evaluation of reform performance against the triggers apparently determines future money disbursement, although some people within Vietnamese development circles are suspicious of the real conditionality attached to this approach.[13]

This said, the PRSC is pitched in Bank documents as the core element in bringing policy coherence to the Vietnamese reform process. Indeed, within the CPS, the instrument is identified as critical to realising the

reforms that the Bank supports (in particular those targeted towards improving the business environment) (World Bank 2007c: 26–30). In person, Bank personnel are more modest about the PRSC, especially in its ability to achieve strategic reform breakthroughs, which they offer have to be pursued differently in Vietnam precisely because they require the consent of the party. However, such issues of causality and leverage do not get in the way of the programme continuing and the PRSC is specifically valued by Bank staff for its role in prioritising policy issues, the setting of time limits on reforms, and providing an opportunity for discussing reform content (Interview, Hanoi, 26 May 2009). One non-Bank assessment of the PRSC process mirrors this internal position, but further highlights the rather ambiguous manner in which the division between 'dialogue' and achieving reform is handled in the instrument – an issue which makes the World Bank–Vietnam partnership interesting for our purposes here. On the one hand, the PRSC is commended for 'supporting the development of policy, legal and institutional frameworks [while leaving implementation] to government' (adapted from Bartholomew and Dom in World Bank 2006a: 35). On the other hand, the PRSC is seen as a facility that is less adept at 'addressing sectors that are by their nature complex and fragmented, such as public administration reform, legal reform and governance' (ibid.).

Yet, despite issues regarding the link between the PRSC and reform, the instrument has only become bigger (with more members participating in co-financing) and looser over time (relaxing of conditionality). This is not to say, however, that making the case within the Bank for an instrument where money is disbursed to a government as heterodox as Vietnam's is a straightforward sell – it is not. Here, we see the tensions embodied within an organisation such as the Bank. Indeed, those tasked with managing the PRSC argue that the instrument entails a critical element of trust, going further to point out that such support would probably not be forthcoming in other settings. They identify concerns within the Bank about the heterodox reform programme, the lack of progress on state-owned enterprise reform, extremely slow disbursement, and the slow progress in financial sector reform as areas that irk some within the Bank, presenting 'constant pressures to pull out'. They also talk of the difficulty for justifying the continuation of Bank activities in the country after the IMF ceased lending activities to the country in 2004 (Interview, Hanoi, 26 May 2009).

However, despite concern on the part of some within the Bank regarding the PRSC approach, there are good reasons for the organisation to maintain a robust partnership with Vietnam. Firstly, even though the

'means' of Vietnam's approach to development have been unorthodox, two ends for the Bank are satisfied in the Vietnam development story: the reality of high growth and poverty reduction. To quote a senior economist in the Bank's Hanoi office, 'the results are very good. If you look at it in terms of policy, you would say "this is not the way we would have done it." When you look at growth and poverty reduction, it's quite difficult to do better' (ibid.). Given this, it is interesting that the very substantial 'market-distorting' fiscal transfers noted earlier and the slow, highly-consensual and highly-selective approach to reform, while not reified, are actually identified as important elements in the Vietnamese story in Bank documents, rather than 'irrational' non-market behaviour to be maligned.[14] Secondly, slow disbursement aside, staff point to the reality that all of the Bank's projects are rated satisfactorily on development outcomes by the Bank's Independent Evaluation Group (IEG) – something described by World Bank staff as 'very unusual'.

No doubt added to these two concerns is also the interest that the Bank has in getting Vietnam to move from highly concessional IDA lending to interest-bearing International Bank for Reconstruction and Development (IBRD) lending, while simultaneously maintaining policy engagement with a country with expanding finance options.[15] In the end the Bank is a bank, and it needs to lend to middle income countries that can service their borrowings. Vietnam, with its impressive growth, is of course a potential candidate in this regard. However, opening up IBRD lending and maintaining policy engagement entails a bit of a juggling act. While the Vietnamese government is keen on having increased access to capital, Vietnam's position as a development winner means that the government is by no means tied to the Bank for money – a situation that has obviously generated fear in some quarters of the Bank's country office (Interviews, Hanoi, 26 May 2009).[16] But it is not just concern over lending that worries some Bank staffers – it is also concern over maintaining policy dialogue. People close to the PRSC are mindful that as Vietnam's per capita income increases and the Bank's IDA lending becomes less viable that it may just use the Bank to borrow for infrastructure rather than making use of it as a 'knowledge bank' on policy issues. To paraphrase one staffer, a very real risk exists that Vietnam will treat the World Bank more like the ADB, using Bank loans for infrastructure while ignoring the Bank's policy advice (Interview, Hanoi, 26 May 2009). And while the Bank is in the business of lending money for infrastructure, even here it faces competition from players that often come without the conditions attending Bank lending. All of

this places the Vietnamese government in an enviable position *vis-à-vis* the Bank, although, in the end, a position the Bank is happy to be in. Indeed, as the section above demonstrates, when the politics of partnership are suitably aligned, they can trump ideology, align donors around highly flexible funding instruments, and deliver a socialist government large sums of soft money from one of the world's leading neoliberal organisations.

An impossible marriage of patromonialism and 'good governance': the World Bank–Cambodia partnership

The section above details how a particular alignment of the politics of partnership can significantly override ideological divisions and deliver a 'strong' relationship, where each party realises their respective interests of material benefit and legitimacy to a mutually agreeable extent. This section illustrates how another arrangement of the very same forces (those of state/regime and Bank) can generate a qualitatively different relationship in a country starved for development. In the Cambodian context, partnership between the Bank and the government is determined to a large extent by the nature of the state and regime that the Bank faces in that country and the social structures of exploitation that these are attached to. This arrangement, centred on complex patronage networks and involving endemic corruption, presents the Bank with significant legitimacy considerations. While at least part of the Bank's organisational legitimacy rests with its pursuit of poverty reduction (as the world's leading 'development' organisation the Bank is popularly expected to be engaged in poor countries), and staff are incentivised to make loans and disburse credits (Woods 2006: 201), the organisation must also remain cognisant of the concerns of its most powerful members when it operates in countries with serious 'governance issues' (Pincus and Winters 2002b: 4; Bøås and McNeil 2003: 25). Indeed, as the case below makes clear, organisational legitimacy becomes a very significant concern when cases of corruption emerge within the Bank's portfolio that make their way back to Washington and attract high-profile press. The capacity for the Bank's country office to juggle the competing tensions of disbursing in a poor governance environment while attempting to shield itself from scandal is exacerbated by the fact that the incumbent regime in Cambodia, while dependent upon aid for maintaining its own legitimacy, has expanding financing options which diminish the Bank's leverage. Before looking directly at the World Bank's partnership with Cambodia, it is first important to briefly

detail the patterns of governance that the Bank faces in the country and the organisation's very personal encounters with the corruption attending those patterns of governance.

Unlike Vietnam, where the Communist Party of Vietnam has demonstrated a commitment to issues of equality in its reform processes (with party legitimacy still popularly determined, in part at least, upon maintaining a social balance enshrined in socialist values), the state and regime that has emerged post-conflict/post-market reform in Cambodia is distinctly different. In Cambodia, power is also considerably concentrated in the hands of a single party (the Cambodian People's Party – or CPP). However, the CPP, while fluent in the languages of good governance and aid effectiveness, has also proved itself adept at localising power and expanding support through a system of patronage attuned to legitimising exploitative practices by the state and military *against* the rural majority (Hughes 2003: 60–1). In this respect, the constellation of power presided over by the CPP continues and extends upon a depressing history of elite monopoly of power and endemic corruption in Cambodia (Chandler 2008: 253; Osborne 1994: 159–60, 167, 198). However, the application of liberalising measures to Cambodia's grossly underdeveloped economy proved a powerful catalysing force for a re-emergence of elites and narrowed the potential for a substantive democratic politics to emerge (Hughes 2003: 1).

The Vietnamese invasion in late 1978, which put an end to the infamous Democratic Kampuchea (DK) regime that had torn the country asunder, resulted in the formation of the People's Republic of Kampuchea PRK, a single-party communist state where political power rested with the People's Revolutionary Party of Kampuchea (PRPK) and their Vietnamese backers.[17] The PRPK regime (which would later change its name to the Cambodian People's Party – CPP) was precarious early on, and confronted the unenviable task of rebuilding a state in a devastated country that continued to face formidable adversity, including famine and ongoing conflict (Hughes 2003: 22). While the new state proved itself somewhat 'responsive' and 'functional', it was incapable of bringing total order to the country or successfully achieving much of its policy agenda (Chandler 2008: 277–82; Hughes 2003: 30).[18] Crucially though, the regime provided incubation for new networks of patronage that would involve massive amounts of corruption and help entrench the current political elite (Gottesman 2003: 335). These patronage networks were set to get a big boost when changes in the global order would provide the impetus for a new reform agenda, propelling Cambodia on a very different trajectory to that of Vietnam.

The demise of the Soviet Union and its aid and support, which plunged the Cambodian government into a dire fiscal position and also partly triggered Vietnam's final withdrawal from Cambodia in 1989, invoked new pressures for reform to replace lost revenue and attract foreign direct investment (Chandler 2008: 285; Gottesman 2003: 316–19).[19] Hughes has described in significant detail how these reforms were the defining element in Cambodia's triple transition from war to peace, from authoritarianism to democracy and from command economy to free market (emphasising the latter as influential over the former two) (Hughes 2003: 1). Crucially, the marketising reforms, which focused upon land tenure, privatisation, reducing subsidies and other measures, unleashed a new form of governance significantly tied to a regime entwined with the CPP and Hun Sen (Cambodia's current Prime Minister and a figure that has largely controlled Cambodian politics since 1985) (Chandler 2008: 272, 285).

While this pattern of governance, which is now firmly entrenched, has familiar overtones with earlier periods in Cambodian history, resource extraction and asymmetrical forms of patronage have been taken to unprecedented levels in the last two decades. Essentially reform resulted in a 'decentralised and entrepreneurial' state, employing techniques of co-option, coercion and violence, that increasingly involved patronage networks differing from earlier pre-colonial forms (based upon some form of reciprocity between ruled and ruler) in that they were now part of a highly extractive and exploitative form of accumulation that created 'outsiders' – a pattern of governance that Hughes calls 'modified clientism' (Hughes 2003: 13, 19, 31–2, 60–1):

> This modified form of clientism is purely extractive in relation to wide society. It does not provide any legitimized social or cultural rationale for the privileging of state employees and their connections over non-state actors who receive little or nothing from the deal. It is a form of extraction whereby patrons bolster the privilege of state employees by means of offering them the opportunity to form coercive and exploitative one-way relations with the third party to the relationship – the outsider. (Hughes 2003: 62)

In particular, the operationalisation of modified-clientism is centred upon state patrons and the Cambodian military, which variously provide access to rent-seeking opportunities and other benefits in a post-market reform environment that has much in common with the Russian transition described in chapter 2 (Gottesman 2003: 335; Hameiri 2009: 226–9;

Hughes 2003: 61). Needless to say, it is a highly-hierarchical, self-reinforcing system that feeds off the reality of low-income in the civil service and which incorporates corruption in a systemic way:

> Hun Sen and the rest of the Cambodian leadership are the beneficiaries of the political and economic system that evolved in the 1980s. Civil servants, whose salaries are still too low to support themselves and their families, are allowed to pocket a percentage of any fines, taxes, fees, or bribes that they impose on the citizenry. The rest of the money is handed up, sometimes for state or party coffers but generally to individual patrons. The result is a power structure made up of vertical – yet mutually dependent – relationships. Top officials engage in direct corruption when they conclude deals with foreign investors. But the leadership also promotes lower-level corruption by perpetuating a weak salary system and by making nepotistic appointments. Powerful patrons have little incentive to punish their own loyalists. As long as the money flows, officials act with impunity – engaging in theft, extortion, or worse. (Gottesman 2003: 335)

It is also a system that benefits from the sharp inequality evident in Cambodia more generally. Indeed, the consolidation of this system of governance has been made considerably easier by the extreme material impoverishment of the rural poor, whose heightened vulnerability in the post-collectivisation period has made them politically susceptible to exploitation and 'amenable' to the new patrimonial relations of narrow, non-reciprocal extraction (Hughes 2003: 14–16, 39).

Not surprisingly, Cambodia's modified patron-clientism constitutes a veritable horror show for proponents of 'good governance' such as the Bank. In its 2008 Corruption Perceptions Index, Transparency International ranked the country 166th in the world and awarded it an index score of 1.8. Indeed, this ranking actually represented a regression in the country's position from years gone by (Transparency International 2008).[20] While the World Bank's CPIA scores for Cambodia have actually improved modestly over roughly the same period (from 3 in 2004 to 3.2 in 2007) (World Bank 2008a: 2), development assistance practitioners in Phnom Penh perpetually cite corruption (the more polite ones say 'governance issues') as a central concern for their work and the country's development prospects more generally. This said, the way in which governance issues impact upon 'development' organisation programmes differs markedly, a reality which when combined with variance in broader organisational interests and ideological predispositions

results in a high level of fragmentation, despite the rhetorical and superficially-structural embrace of Paris and Rome Declaration principles by donors and government in Cambodia.[21]

Reflecting the interest the government has in ensuring that aid continues to flow into the country (ODA represents around half of all public resources and a considerable portion of 'development activities' (Cox 2006b: 3)), Cambodia has an impressive array of formal partnership and harmonising structures. The country has a PRSP (the National Strategic Development Plan – NSDP), regular meetings between government and donors (the Cambodian Development Cooperation Forum[22]), agencies for coordinating with domestic and internal development partners (the Council for the Development of Cambodia/Cambodian Rehabilitation Board), 19 sectoral/thematic technical working groups involving various compositions of government and donors (TWGs), and finally, a mechanism to aid with policy guidance/problem-solving processes (the Government Donor Coordination Committee).

Yet, despite all of this, there is massive donor fragmentation, with the health sector, for example, characterised by more than twenty donors working with more than a hundred NGOs on 109 projects, with minimal use of country systems – a key element of the OECD aid effectiveness agenda (World Bank 2008a: 5). Traditional 'development partners' in Phnom Penh (including people from the Bank) regularly decry the persistence of fragmentation in the face of harmonising structures and commitments. This fragmentation, which has thus far proven very difficult to address (Cox and Thornton 2009: 31), in no small way results from donors (some more than others) attempting to guard themselves against corruption:

> Donors have chosen to provide assistance through parallel project-management structures which offer greater fiduciary protection but largely fail to address the systemic problems. The proliferation of projects, and the diverse rules and procedures associated with them, have contributed to the fragmentation of the Cambodian administration and undermined state-building. (Cox and Thornton 2009: 32)

This said, the situation has only become more complicated as Cambodia has continued to attract record volumes of assistance from donors like China, which do not seriously engage in the aid effectiveness agenda (Cambodian Rehabilitation and Development Board 2008: 1; Wright 2008: C5; *The Economist* 2009: 48; Interviews, Phnom Penh, 1–5 June 2009).[23]

Far from being a crucial source of funds, the Bank now finds itself operating in a new 'development' frontier – a messy 'Wild West' of the Southeast – comprising a highly fragmented array of public and private players eager to be part of Cambodia's tumorous growth.[24] In 2005, ODA made up over 9 per cent of GNI, or around US$38 per person in Cambodia (World Bank 2007a: 348). As a broad measure of ODA this compares favourably with Vietnam, a reality that is perhaps unsurprising in a high-profile post-conflict country that remains one of the poorest countries in the world.[25] Part of this figure owes to the recent entrance of so-called emerging donors like Korea and China, which are both heavily engaged in infrastructure.[26] However, the Bank's portfolio in per capita terms is significantly less in Cambodia than it is in Vietnam – a situation that is the reverse of the ADB, which lends more on a per capita basis to Cambodia than to Vietnam. In 2005, net financial flows to Cambodia from the Bank came to US$33.7 million or US$2.40 per person (a figure which rises to US$3.22 when average flows are calculated across the period 2002–2007). Compare this with flows from the ADB to Cambodia, which were US$82.2 million or US$5.87 per person for 2005 (the ADB's per capita disbursement average to Cambodia from 2002–2007 was US$5.41).[27] Indeed, as a percentage of total overall commitments to the country between 2002 and 2007, the Bank's contributions only constituted 7.2 per cent, well under half what Japan contributed, a third of total EU contributions and close on a par with the United States and China (Cambodian Rehabilitation and Development Board 2008: 8–10).[28] Notably also, in an assessment of development partner contributions across five key sectors in 2007, the World Bank was only ranked in the top five three times in Cambodia, providing meagre single-digit percentage contributions to each sector. By contrast, the ADB was ranked the number one development partner in two sectors (education and water/sanitation) and China took pole position in the transportation infrastructure sector, providing a massive 42.3 per cent of contributions (ibid.: 27).[29] Also revealing of the Bank's relative unimportance in Cambodia and often cited as a regular problem for donor harmonisation and alignment, is the reality that there is no lead donor in the country – a position that the Bank regularly occupies in other countries (such as Vietnam).

Interviews in Washington and Phnom Penh, core country documents and the Bank's country portfolio suggest that corruption and issues of institutional integrity are significantly to blame for the Bank's relative unimportance in Cambodia (Interviews, Phnom Penh, 2 June 2009; Interview, Washington DC, 1 February 2008). While traditional

'development' organisations emphasise governance concerns in relation to working in Cambodia, few come as close to the Bank in terms of the sustained coverage that the issue gets in documents and public pronouncements. In 2004, the Bank issued a report as a brief for an upcoming meeting of the then-Consultative Group (CG) which placed good governance at its centre and asserted that a transformation was required in Cambodia, from governance as destructive of the development process to it being supportive of the development process (World Bank 2004c: 1). Entitled *Cambodia at the Crossroads*, in no uncertain terms the report detailed the endemic corruption in the country and stipulated a raft of ambitious reforms that would be required to tackle it (ibid.: 1–26).[30] In 2005, just prior to leaving the Bank's Presidency, James Wolfensohn continued the good governance assault on Cambodia, stating that its three leading priorities should be 'fighting corruption, fighting corruption, and fighting corruption' (*The Economist* 2005: 64). Finally, the Bank's 2005–2008 CAS for Cambodia and the most recent 2008 CAS Progress Report, while both acknowledging the country's growth (which reached double digits between 2004 and 2007) and gains in reducing poverty, unequivocally singled out 'governance issues' as core impediments to development in the country' (World Bank 2005d; World Bank 2008a).[31]

While much of this focus can be put down to reading the governance situation in Cambodia for what it is, accounting for the Bank's overwhelming emphasis on governance requires understanding the very personal experience of the organisation with problems of corruption, an experience that has placed the country programme in a precarious position and strained relations severely between the Bank and the Cambodian government. In 2007, just weeks before the World Bank–IMF annual meetings, an editorial in *The Wall Street Journal* revealed that a senior Bank source had presented the newspaper with evidence from the organisation's Department of Institutional Integrity (INT) of corruption and other problems in seven projects that the Bank had funded to the tune of US$8.25 million. In particular, the right-leaning newspaper (well-known for its hostility towards the Bank) referred to evidence of widespread extortion, bribery, bid-rigging and serious procurement issues.[32] Then-Bank President Paul Wolfowitz, who had come into the Bank re-emphasising the importance of good governance and effectively fighting corruption, put three active projects on hold and allegedly wanted to withdraw the Bank out of Cambodia altogether (*The Wall Street Journal* 2007a: 20).[33] To make matters worse, the revelation of corruption in the portfolio came subsequent to an

earlier Bank-funded demobilisation project which had to be suspended in 2003 after it was reported that funds were being used inappropriately (Hughes 2006: 73; *The Wall Street Journal* 2007b: 16). As one senior development practitioner who had worked for the World Bank, the IMF and the ADB noted, the relationship between the Bank and Cambodia had already been seen as tainted within Washington headquarters, and the problems revealed in the portfolio were 'the straw that broke the camel's back' (Interview, 4 June, Phnom Penh, 2009).

The corruption highlighted in *The Wall Street Journal* necessarily invoked a relegitimising and defensive response from the Bank, at both the country and headquarters level (Muasher 2007: 15). While the project suspensions and the secretive investigative process that uncovered the corruption chilled relations between the government and the Bank significantly (World Bank 2008a: 7), an agreement with the Cambodian government was eventually reached in early 2007 to get the projects moving again. As part of this agreement, a new Anti-Corruption Working Group was proposed and new anti-corruption action plans ('Good Governance Frameworks') were developed, which incorporated, among other things, measures to improve procurement, financial management and disclosure on Bank-funded projects.[34] Further, there were financial penalties, with project funding cut by US$2.5 million and the Bank demanding US$2.89 million to be repaid by the government (ibid.: 7).

World Bank country staff note that while the country office was able to defend itself successfully and prevent the programme from being axed, there remains constant pressure from Washington to demonstrate that corruption issues are being taken seriously, a pressure that only increased in 2007, when the NGO Global Witness released a damning report on high-level corruption and illegal logging (Interview, Phnom Penh, 2 June 2009; Global Witness 2007).[35] However, the demand upon Bank country staff to be conscious of the programme's legitimacy is also rather contradictorily paired with a pressure to disburse on time and deliver on the country programme (Interview, Phnom Penh, 2 June 2009). Indeed, provisional projections for 2008 actually show an increase in the size of the Bank's Cambodian programme, with it projected to return to its second-highest level in over half a decade after hitting lows in 2006 (Cambodian Rehabilitation and Development Board 2008: 9; World Bank 2008a: 44). Reconciling these pressures culminates in country programme that – despite Cambodia's very narrow economic base and level of industrial capacity[36] – is heavily focused upon on analytical and advisory assistance work (AAA)[37] and significant trust fund management (the management of donor country money).

The very minor role for Bank-led budget support in Cambodia and its current status is also very telling of the frail World Bank–Cambodian partnership. In Cambodia, the Bank's budget support instrument is known as the Poverty Reduction and Growth Operation – PRGO. In a nutshell, the PRGO reveals the broader politics of partnership operating and the limitations of technocratic partnering and harmonising efforts. Operationalising budget support in Cambodia, given the extant patterns of governance, weak country systems and the Bank's experience with corruption noted above, was perhaps always going to be a hard sell.[38] Indeed, the PRGO was delayed from its outset by the problems that the Bank had in its portfolio and is now actually stalled after only its first year of operation (Cox and Thornton 2009: 33).[39]

Needless to say, the PRGO as designed is a very modest instrument in terms of funds allocated and the harmonisation mustered, albeit rather ambitious in the policy reforms it ostensibly attempts to affect. Essentially, the PRGO is a programme of three annual development policy loans, with PRGO I taking the form of a US$15 million grant (plus co-financing support) to close the financing gap in the current account deficit.[40] As a portion of total development assistance to Cambodia in 2007 the Bank's contribution to PRGO amounts to just under 2 per cent. However, the facility is justified as supporting both the NSDP and CAS in implementing 'good governance' reforms, facilitating 'high-level policy change' and fostering 'second-generation growth'. It is billed as countenancing the reform agenda by concentrating on 'policy dialogue results' and bolstering support for reform where there is 'political opportunity'. Importantly, it is also seen as a significant harmonisation instrument to align donors – bringing together the Bank, Britain's Department for International Development, the European Commission and Japan – and government (World Bank 2007e: 2, 7, 17, 19).

Project documents for the PRGO tie the funding up to the supporting of just three areas (improving the business climate for poverty reduction, public financial management and land and natural resource management). This approach is much narrower than regular Poverty Reduction Support Credits, reflecting the 'high-risk' governance environment in Cambodia and a desire to support areas where 'ownership' and a positive government track record exists, such as in the area of public financial management and the Ministry of Economy and Finance (World Bank 2007e: 51). While funds are not specifically targeted in the PRGO, the instrument does build in particular milestones to be met and a raft of programme performance indicators to be achieved in the aforementioned areas. In broad accordance with aid effectiveness principles,

the conditionalities are drawn from the NSDP and a series of indicators agreed upon by government and donors, known as 'Joint Monitoring Indicators' (Cox and Thornton 2009: 47; Greenhill 2007: 10).

However, even given the focused choice of areas to be supported and its emphasis upon results, the PRGO appears to have very limited potential to play a significant role in affecting the sorts of changes in government policy and donor harmonisation that it aims for. Indeed, the World Bank itself highlights the obvious risks that the PRGO faces, risks that include issues of reform stagnation, weak capacity and the ever-present spectre of corruption and poor governance (which the Bank notes presents a reputational risk). Tellingly, the Bank also frets in project documents about the loss of influence of traditional donor partners in Cambodia, with the flow of oil revenues in the not-too-distant future altering leverage significantly (not to mention the current investments emanating from China, Qatar and Kuwait). Further, the Bank notes the problem in engaging only in areas that already display progress, while leaving aside reforms in the legal and judicial sectors which it offers might become 'the binding constraints to growth and poverty reduction' (World Bank 2007e: 1, 51–3). And while many talk of 'aid effectiveness fatigue' in Cambodia, the PRGO's ability to galvanise donors in the same way as the PRSC in Vietnam is simply not apparent. While the PRGO brings together four traditional donors, the instrument is not even completely harmonised in terms of its approach to conditionality, with different donors able to respond to the government's reform performance in different ways (Cox and Thornton 2009: 47).

Conclusion

This chapter tells the stories of two very different partnerships. Crucially, however, both cases are united in one important way. In each case, SIN's technocratic approaches to building 'partnership' – a relationship to embed the 'new basics' – at best play only very minor roles in determining the size and nature of a Bank programme, not to mention the implementation of SIN reforms. Indeed, the presence of PRSPs aligned with CASs, the use of new delivery devices such as budget support, and the presence of harmonising structures (which in total constitute the *formal* superstructure of 'partnership' in SIN), have little discernible bearing upon a given Bank–country partnership. What does have an impact are the reconcilability of the interests of both Bank and regime and the degrees of leverage of the respective parties operating in a particular environment.

Interestingly, diminished leverage for the Bank, reform immobility and the presence of corruption need not be impediments to a significant relationship between Bank and borrower. As the Vietnam case above details, when there is an alignment of the politics of partnership (interests of both Bank and borrower can be realised to a mutually agreeable degree), a country programme can be large and soft (in terms of conditionality). Massive, highly harmonised budget support, utilising country systems, can be extended to a country which is not aid-dependent and which pursues a heterodox reform path. However, when irreconcilable tensions in interests exist, as in the case of Cambodia, programmes become highly circumscribed and the Bank's position marginal in relation to other donors. While the Bank has very publicly set itself a mission of 'freeing the world of poverty', this undertaking has very real tolerance levels and conditions attached to it. When these levels are exceeded, SIN's political technologies and delivery devices can do little to achieve reform or make gains in promoting development. In Cambodia, subjected to the pressure of legitimacy and operating in an environment of significantly diminished leverage, the world's most prominent 'development' organisation opts for a defensive position, whereby it avoids leading a fractured donor community and certainly cannot substantively entertain key 'harmonising' arrangements, such as budget support. In essence, the Bank is relegated to a course of good governance advocacy of questionable utility, while other traditional and non-traditional 'development' actors are actively engaged in Cambodia's problematic growth, the benefits of which largely evade the majority of Cambodians.

All of this points to the inherent contradictions embodied within the global capitalist system and SIN as a project that attempts its reproduction, albeit in a particular 'idealised', though impossible to realise, form. While the Bank has developed a novel set of political technologies and delivery devices to relegitimise both the organisation and market-led development more broadly, much of the justification of this approach in promoting development as a process (as opposed to 'development' as a practise of increasing material conditions) seems tenuous at best. Interestingly, the Bank's capacity to build the sorts of institutions that it idealises is often not aided by SIN's technocratic toolkit either. Ultimately, despite SIN's significant efforts to evade the politics of development, such politics are not so easily dispensed with. This said, the following chapter looks at one more weapon in SIN's arsenal to tackle this institution-building conundrum – community-driven development.

8

A 'SINful' Approach to Poverty Reduction? Community-Driven Development and Attempting Market Citizenship in Indonesia

This final chapter details the relationship between 'poverty reduction', politics and socio-institutional neoliberalism (SIN) via an analysis of a large-scale delivery device – a social development project in Indonesia which takes a radical approach to embedding SIN forms of governance.[1] Like the themes covered in the earlier 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 seen by the Bank as critical in realising poverty reduction. References to poverty reduction permeate through project documents and programmes 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. 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.[2] 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 detailing 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 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. As we will see below, 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 project 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 relegitimising 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 by it. The conclusion is that what really is different about KDP – and what makes it apparently 'radical' (as with the SIN of the post-Washington consensus (PWC) more generally) – has to do with its approach to delivering neoliberal reform. In short, what is different about KDP is its approach to embedding market society.

The picture that emerges from the analysis – a picture which resonates well with the previous three chapters – 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 project like KDP adopts. If that paradigm is seen as exacerbating and entrenching asymmetries of power – either directly or by virtue of the fact it neglects critical issues in addressing poverty – then KDP's potential to realise long-lasting and *significant* reductions in poverty should be treated with considerable scepticism. While the KDP can demonstrate certain successes in areas that can be loosely correlated with 'poverty reduction' (although even key people associated with the project have their doubts, as we will see below), Cammack's contention that the Bank's approach to reducing poverty is actually first and foremost related to 'proletarianising' the world's poor should be taken very seriously (Cammack 2004: 190).

This said, as was made evident in earlier chapters, the attempt to usher in market society with its requisite norms and other institutions is not a straightforward process and the Bank does not always get what it wants. Indeed, substantive questions emerge in relation to KDP's capacity to build and sustain institutions for market society. This brings us to KDP's relationship to a perhaps more important *semi-proletarianising process* (characterised by intense vulnerability) than simply the *proletarianisation project* directly promoted by the Bank. This connection is derived from the false implication promoted by projects such as KDP that poverty can be reduced in tandem with a neglect of class power (domestically and internationally). This last point brings into question the very purpose of debt-based 'poverty reduction' projects like KDP, projects which are becoming more and more prominent in the armoury of SIN precisely because their architects can claim considerable success in formal implementation – a claim that is not easily made for other neoliberal development projects.

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 2) 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. (Kagia 2005: 2–3)

It continues:

> 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. (ibid.)

In the same book François Bourguignon (then-World Bank Chief Economist) argued 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. (Bourguignon 2005: 10)[3]

This refocus and 'reconciliation' with growth has resulted in a situation where almost any facet of the Bank's work – which is in essence targeted

towards an expansion of capitalist activity and the attendant growth that this requires – can be related by the organisation, or elements within it, to poverty reduction.[4]

SIN assumes that the best path to realising growth and poverty reduction is via the constitution of market society. Crucially, this requires the production and reproduction of a particular form of labour. For the Bank, this form of labour needs to be healthy, educated and ever-capable of adapting to the changing conditions attending globalisation. The Bank has gone to great lengths to outline a project that is based around such a labour force – a project that Cammack argues seeks 'the proletarianisation of the world's poor' (Cammack 2004: 190). Of course, within SIN, the interests of labour are not overtly seen as subordinate to capital – rather they are seen as reconcilable under a particular form of market citizenship that is established under preordained institutional frameworks and the adherence of all parties to such frameworks.

However, as has been emphasised throughout this book, SIN must be understood as an ultimately impossible utopian project replete with contradictions. The point here is that in practice SIN proponents never fully realise their idealistic intentions. What emerges in reality, and which is indeed at least *partly* facilitated and maintained by SIN, is considerably more messy: that is, the relegation of many people to semi-proletarian status and conditions of persistent vulnerability, where the concept of wage earning and even regular work are often lacking (Davis 2006: 174–5). An important task for critiques of SIN then is to understand the Bank's relationship to this process in a nuanced fashion. In this regard, it is essential that we give voice to the role of political contestation, history and contradiction within both the Bank, and member countries, in determining the nature of and outcomes associated with SIN (Taylor 2005: 154). Indeed, the relatively variegated nature of SIN's manifestation on the ground is in no small way related to these very contestations and contradictions.

For example, the case study elaborated below illustrates that the Bank's internal dynamics, right down to the country level, influence 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 novel, albeit still neoliberal, project because of the congenial alignment of both contradiction within the Bank's previous work (issues with implementation, outcome and corruption, for example) and also within the global political economy (the Asian crisis is a key factor in the story below). Understanding that the Bank's approach to poverty reduction

is conditioned by such factors can truly '[open] up the Bank', right down to the country level, while still demonstrating the Bank's connection to both a project (SIN) and a process of proletarianisation/semi-proletarianisation (ibid.: 153). To be sure, the relationship between the project and the process is not always a straightforward 'functionalist' one where the intentions of Bank staff are completely realised in a particular outcome (proletarianisation/'idyllic' market society). However, the connection adheres in both; SIN's project's must relate to the reproduction of market society and market citizens (a project of proletarianisation with varying degrees of impact) and this requires the neglect of the role of class in the reproduction of *the process* of proletarianisation/semi-proletarianisation. This last point is to say that even when the Bank does not fully realise its institutional goals (the constitution of market society) the dubious suggestion that poverty can be reduced using projects confined to the boundaries of SIN, which must neglect class and critical historico-political factors, also plays a role in perpetuating highly asymmetric social relations.

For Cammack, the Bank's notion of poverty reduction is 'conditional upon, and secondary to' the implementation of programmes that seek to extend market relations and, ergo, the concomitant asymmetries of power inherent in such relations (Cammack 2004: 190). Thus, to varying degrees, the poverty reduction approach of SIN is seen as generating 'proletarianisation and capitalist accumulation on a global scale' as its output (ibid.). This is not to say that the Bank's focus upon reducing poverty (and the intent of some of its staff) is altogether disingenuous. Neither is it necessarily incompatible with a detailed analysis of the contradictions and politics inherent in what the Bank does. Crucially, here, Cammack's point that the Bank's pursuit of poverty reduction is 'real, within limits' is accepted:

> 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. (ibid.)

Thus, what has evolved from political conflict (over and within neoliberalism) are poverty reduction projects and programmes that do differ from

those of the Washington consensus. However, crucially, *all of these new programmes*, in one way or another, are premised upon the liberal capitalist market as a *sine qua non* – although this logic now incorporates the new basics and a more diverse array of delivery mechanisms and political technologies to attempt to realise what was previously impossible.

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* stated 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 (central to the new basics). Therefore, for the Bank, programmes that attempt to build social capital and human capital 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. To put the point bluntly, for the Bank, *anything related to constituting market society is about 'poverty reduction'*.

That the Bank's notion of poverty reduction requires understanding its subordination 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 who 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. To demonstrate the subordination of all projects to SIN and the politics of this, we now turn to look at the KDP – a large-scale poverty reduction project that, while ostensibly quite progressive, seeks to extend the market society project while necessarily (for paradigm coherence) neglecting some of the most crucial factors (of class and industrial underdevelopment, for example) attending Indonesia's population. Understanding the Bank's approach to poverty reduction in this way better illustrates what it is that the Bank actually means by poverty reduction and, crucially, assists in avoiding functionalist readings of the organisation's influence.

How the KDP operates

The US$1.6 billion KDP is a large-scale poverty reduction project that attempts to put core SIN emphases (in particular, those of social capital and governance) into practice (World Bank 2010).[5] 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 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 project, leverage for reform operates at the 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 countenancing the project's ostensibly progressive credentials is its emphasis upon the participation of women. Furthermore, KDP seems to be about 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 broader and more active forms of political participation and representation (beyond simple market society-establishing concerns). In this respect it is highly ambitious, seeking to reframe citizenship in post-New Order Indonesia.[6]

The KDP is associated with the World Bank's SDU based in Jakarta and it has received attention from academics and popular authors alike (see for example Li 2006; Li 2007; Mallaby 2004: 174–206).[7] Indonesian government agencies describe the project as one that aims to alleviate poverty and improve local-level governance in rural Indonesia (Ministry of Home Affairs, Indonesia n.d.: 8).[8] 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' (World Bank 2003f: 38; World Bank 2001c: 1–2). It is classed as a community empowerment/social protection project by the Bank and its former long-time task leader, a figure that is at the centre of the KDP story, was also the lead social development specialist for the Bank in Indonesia (home to one of the Bank's biggest social development units).[9]

The KDP has gone through several phases – each one expanding upon the previous in size (as of writing KDP is finding new life, being morphed into an even bigger project – The National Program for Community Empowerment or PNPM (World Bank 2009b: 9)). Its pilot version, in 1997, covered 25 villages, its first major phase (KDP I) reached over 20,000 villages and it now affects more than 38,000 villages in Indonesia

(more than half of all villages in the country) (Guggenheim, Wiranto, Prasta and Wong 2004: 1; World Bank 2009b: 10). 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 (World Bank 2005e; Li 2006: 2). KDP has been a major example of what the Bank has called 'scaling up' – that is, the rapid increase in size of new poverty reduction projects – and has even held the crown of biggest community development project in Southeast Asia (Guggenheim 2004a: 2).[10]

It is worthwhile looking in detail at how the KDP operates. This is important in assessing both how different KDP is (and is not) for a Bank-funded project. Indeed, it is seen (in particular, by people closely associated with it) as being substantively different from 'standard development projects' (ibid.: 4–6).[11] 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$50,000–US$150,000) to the *kecamatan* or sub-district level for projects that villagers choose (World Bank n.d.v).[12] 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. (Guggenheim, Wiranto, Prasta and Wong 2004: 8)

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 financial management unit to manage KDP funds and to oversee any large procurement. (ibid.)

Crucially, this funding arrangement is also associated with particular processes of 'socialisation' (to the ways of KDP), planning, proposals and project selection. 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 (ibid.). 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' (World Bank 2004d: 16). The operational manual for KDP states that the intention of this stage is to form a uniform understanding of the project by its participants and to encourage participation and monitoring. Various forums are important in this process. Initially, word about KDP is spread through workshops at the provincial, district and subdistrict levels, which draw in prominent actors from communities, local government, academia, non-governmental organisations (NGOs) and the media. Village, sub-village and group meetings are also held in order to further spread information about KDP and '… encourage people to propose ideas for KDP support' (Guggenheim, Wiranto, Prasta and Wong 2004: 7). Planning meetings are then conducted at the sub-village and village levels. Here, facilitators from the village and subdistrict levels are central in disseminating information about KDP procedures and encouraging the submission of ideas for KDP funding. At this stage, women also hold their own meetings in order to decide '…upon women's proposals' (ibid.). A subsequent village meeting is then held, where proposals are discussed and the ideas that are to be put forward to the subdistrict (inter-village) forum are decided upon. In total, this socialising and planning stage takes around one or two months. Each village can submit up to three proposals to the inter-village forum, with one of these proposals 'from village women and a second from a women's savings and loan group' (ibid.: 7–8). Proposals are written up specifying important information, such as projected costs and numbers of beneficiaries, and these are then discussed at the inter-village level.

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' (ibid.) – is involved. 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. Proposals are then discussed at a second inter-village meeting to determine priority rankings.[13] After this, there is one more meeting held where proposals are selected and a grant agreement is drafted for the successful proposals and signed by the significant parties involved (ibid.: 9).

Competition between individual proposals is also a vital feature of KDP. Where a strong consensus cannot be reached, villagers are given criteria to prioritise particular proposals, often with the assistance of a facilitator.[14] Interestingly, this competitive element was highlighted in a meeting of villagers in West Java as an undesirable facet of the project that should be eliminated, with the prioritisation of projects emphasised as difficult, with each village ranking itself highest, and with bargaining processes taking place between villages (Meeting, Karawang, 21 April 2005).[15] However, for the project's former team leader, conflict within KDP is not a major factor: '…we don't have conflict within KDP – or very little' (Interview, Jakarta, 15 December 2005). One of the former team leader's key colleagues in social development (who is now the team leader for PNPM) is a little more cautious – especially in relation to consensus being met: 'consensus at the village level is generally met – although there are some conflicts' (Interview, Jakarta, 19 April 2005). Nevertheless, facilitators and consultants are fundamental to the management and operation of KDP – a point corroborated by numerous other people associated with KDP (Interviews, Jakarta, 19 April, 13 December 2005). Indeed, a veritable army of facilitators and private consultants (4,200 were involved in KDP II) is involved at all levels down to the subdistrict level to '… implement the technical aspects of the project' (Guggenheim, Wiranto, Prasta and Wong 2004: 9).[16] Further to this, two (one male, one female) or three facilitators are elected for every village participating in KDP.[17]

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 the World Bank's purposes, the implementing agency (ibid.; World Bank 2003g). 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 (Guggenheim, Wiranto, Prasta and Wong 2004: 9). 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 of government.

The majority of KDP is financed by the World Bank. It is crucial to understand the financing structure for KDP, in particular because the project constitutes an ongoing approach to poverty reduction that relies upon debt, in a country where, in 2002, 50 per cent of the country's population lived on less than US$2 a day (World Bank 2006b: 288, 290) and where, in 2006, over 6 per cent of the government's US$144 billion debt was owed to the Bank (World Bank n.d.w). At the level of the World Bank and the Government of Indonesia (GOI), KDP is a combination of credits (non-interest bearing loans) and interest-bearing loans.[18] This point itself is seen as a problem by various people, from a senior bureaucrat who was previously involved with KDP to NGOs associated with the project (Interviews, Jakarta, 13–14 December 2005). 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 (World Bank n.d.w, 2000b, 2001c, 2001d, 2003h, 2005f). However, when asked about the financing mix, KDP's former head, Scott Guggenheim, is adamant that using loans for just such a project is entirely appropriate – especially in contrast to relying upon 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. (Interview, Jakarta, 15 December 2005)

National government contributions to KDP are essentially zero, although local government contributions and community contributions are counted as Government of Indonesia (GOI) contributions. 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 in

> cash. When you look at the financing structure we count community contributions as Indonesian contributions, so at the national level there are essentially no cash 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] initially 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 make it clear that if 'you want it, you pay for it'. (ibid.)

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 per cent, 40 per cent and then a final amount of 20 per cent), with the final amount 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 (taken up in more detail below). Community contributions to KDP are also high (Guggenheim, Wiranto, Prasta and Wong 2004: 9, 12).

KDP's uniqueness – in particular its structure that allows villages to choose in a competitive environment, what *they* want to spend money on – should be more than evident to even those with a cursory knowledge of the development industry. Furthermore, it actually circumvents a lot of government, which is unusual for a large World Bank project (national governments are after all the clients of the Bank). However, much of what makes the project so different relates to reform delivery. As the section below makes clear, the KDP fits very comfortably within the reproduction of neoliberalism and, indeed, the reproduction of capitalist relations more generally, which are dually seen as the path to poverty reduction.

The purpose of the KDP

We have seen above how KDP operates – which emphasises much of what is different about it in comparison to other World Bank-funded projects and programmes. It is also important to emphasise what exactly the purpose of KDP is. This is especially important in demonstrating how the KDP falls within SIN.[19] On one level the KDP largely

appears to be about cost-effective infrastructure provision (and more) for villages – a fact that senior figures associated with KDP are keen to point out.[20] Yet it is vastly more ambitious and political than that. The KDP in essence is a project that exudes the SIN market-extension foci on governance, social capital and decentralisation and delivers its reform via participatory development and the incentive/leverage of the provision of infrastructure and other goods. Put another way, KDP attempts to deliver the productive infrastructure required of a capitalist agricultural economy *and an institutional fix designed to facilitate the more efficient and equitable function of such an economy.* The problem here is that the KDP, using debt-funded methods tolerable to the SIN paradigm, attempts to create patterns of neoliberal governance ostensibly to reduce poverty while ignoring many of the broader structural politico-economic impediments to development that countries like Indonesia face. Furthermore, the project's connection with really reducing poverty (as opposed to pursuing 'poverty reduction' as conceived by the Bank and critiqued by Cammack) is far from clear – even to its former task leader.[21]

The KDP is both political and ambitious, in that it is designed to create certain institutional structures in the post-New Order environment. In this regard, the project is associated with reworking notions of citizenship, significantly by creating demand for behavioural change (i.e. attempting to instil norms of transparency, accountability and competition) and 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. (Li 2006: 9)

Important, in relation to this governance fetish is the KDP's relationship to the state. As one Bank staffer noted to me, while the project is 'sold' to the government as a poverty reduction initiative (which the government is content with), KDP is actually designed to circumvent certain state structures (Interview, Jakarta, 18 April 2005). Somewhat telling

here, is the manner in which the project's design uses the *kecamatans* to by-pass existing political institutions (and interests) to create or rebuild absent social and political institutions. Revealingly, a quote from KDP's former head 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. (Guggenheim 2004a: 21)

The updated project information document (PID) for the KDP III is especially telling in the project's focus upon governance and revealing of where this focus 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 (see also Li 2006: 14). According to the PID, the LLI studies 'identified a gap in local governance that exists in the large majority of Indonesian rural villages' (World Bank 2003g: 1). The way that the concerns derived from this analysis are worked into the project information document draw upon a neoliberal 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. (ibid.)

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 in a country with a long history of colonialism and authoritarian kleptocracy that surely relate to it being bequeathed with a per capita income in 2003 of US$810 (World Bank 2004a: 256). 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 (Li 2006: 9). To be sure, governance is seen by those close to the KDP beyond a merely functional relationship with the market, in some contrast to the more normative notion of governance endemic within the Bank.[22] However, the market element remains strong, and in project documents the emphasis is upon the lack of governance and its impact upon market functionality rather than the more political notion of 'citizenship'.[23]

Notably, in relation to the link between social capital and the KDP, the LLI studies, which identified the 'governance gap' and which were influential forerunners to the KDP (noted above), were part of a broader multi-country study on social capital and the ideas of Putnam, who – as we saw in chapter 3 – gave social capital 'wings' in a way that became more pronounced in the Bank as the post-Washington consensus (PWC) gained traction in the mid-to-late 1990s (Bebbington, Guggenheim and Woolcock 2006: 16; Guggenheim, 2004a: 17).[24] 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, indeed, effuse a certain fondness for Putnam's incarnation of social capital (see chapter 3). 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 (Guggenheim 2004a: 17). 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; 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' (ibid.: 18). It is not too difficult to see 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 (the KDP) that omits a larger political economy analysis of poverty. Put another way, this highly-selective diagnosis is used to design a project that ultimately sits comfortably within the boundaries of neoliberalism and the impossible project to create utopian market society.

It is important, however, 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 more carefully, with particular attention paid to what this reveals about the Bank's politics. For KDP's former team leader, social capital (the term and concept) was particularly useful for Bank staff working in social development to talk to the organisation's power group – the economists – despite his own personal scepticism in relation to the concept (Interview, Jakarta, 15 December 2005).[25] 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' (Harriss 2002: 81; Carroll 2009c). 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 itself to be a unique, and temporarily successful, way to deliver the latter.

Radically unorthodox or radically SIN?

Talking to several people within the SDU of the Bank in Indonesia, one definitely gains the impression that KDP constituted a push to create change within the organisation. 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 overarching concern for the implementation of market society. 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:

> 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 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'). (Harriss 2002: 78–9)

Seen in this light, the KDP should be thought of more as 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 into the project, which seem important for generating a local-level form of 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. Externally, the Indonesian association of independent journalists, *Aliansi Jurnalis Independen* (AJI), and independent provincial NGOs are contracted to monitor the KDP, with the AJI contract involving visits by journalists to KDP sites in order for them to write articles in regional and national newspapers on the project.[26] In this arrangement the journalists are seen as a conduit for airing the monitoring activities of NGOs and other civil society groups (World Bank 2003g: 20–1). 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.[27] The way in which KDP deals with corruption is something that former team leader Guggenheim is clearly keen to point out, especially in relation to how it measures up against other development projects previously run by the Bank (Interview, Jakarta, 15 December 2005). Elsewhere, Guggenheim has emphasised that the design principles for community driven development projects like KDP need to be simple and enforcement needs to be strict. In this regard, the former World Bank staffer has noted: 'Tough love is the only way to stop a few small mistakes becoming pervasive damage to a large-scale development project' (Guggenheim 2004b). This is not 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 (ibid.). Neoliberal conditionality, then, has moved down from the national level to the local level (Li 2006: 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 West Java particular facilitators were highlighted as potential perpetrators at the village level (Meeting, Karawang, 21 April 2005). This said, compared to other projects, KDP does have a much better reputation in terms of levels of corruption, both within the Bank and outside of it (ibid.; Interview, Jakarta, 14 December 2005).

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.[28] Hadiz, like Harriss (above), has noted the relationship between decentralisation and the sort of 'social development' associated with KDP: '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' (Hadiz 2004: 700).

KDP's citizenship focus is important here, in particular its role in a project that attempts to instil particular behavioural norms 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:

> Well that's the sort of guiding idea behind it right [influencing types of citizenship and facilitating political change]. It's not that a community development programme like KDP 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. (Interview, Jakarta, 15 December 2005)

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 project, participation is still related back to embedding 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. (Ministry of Home Affairs – Indonesia – Community Development Agency, KDP National Secretariat and National Management Consultants n.d.: 10)

Of course, corruption is bad and improved schooling, health facilities and sanitation are all highly desirable, as is cheaper, good-quality infrastructure. But as a governance/decentralisation project, the KDP adheres to an approach to poverty reduction that is debt-financed and micro-focused (albeit with macro objectives), and which depends ultimately upon the impossible constitution of utopian market society. Importantly, in this regard, very real questions remain over the KDP's impact and sustainability – surely a key concern for a project that seeks to reduce poverty through building particular institutions. Hadiz, for example, has portrayed a bleak picture of Indonesian decentralisation that draws into question the capacities of projects like 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. (Hadiz 2004: 711)

It is this reality – so central to contemporary Indonesian society and its distribution of limited resources and opportunities – that KDP

seeks to upset. Importantly, KDP attempts this without substantively attending directly (for example, through collective action and addressing the asymmetrical ownership of the modes of production) to the material conditions and political relations to which such conditions are attached. Subsequently, we should assume that while the KDP has big technocratic governance ambitions it is merely another part of the impossible mission – the constitution of market society for the reduction of poverty.

The politics of KDP's development and operation

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 in the first place. Here, there are both elements that constrain and facilitate the respective agendas and ideas of individuals and groups within the organisation. As we will see below, the Bank's SDU in Indonesia has pushed much of what is in KDP, in a highly political process where the outcome has ultimately been a compromise that *concludes in a radical approach to delivering SIN, but SIN all the same*.

Secondly, with a project as large and ambitious as KDP, there are also external politics of significance, right down to the local level. It is important to detail these, because many critiques of the Bank actually criticise the Bank for what it supposedly *does* when it is often more prudent to analyse what it, or elements within it, *actually attempts* to do. Indeed, all sorts of political relationships exist that mean the organisation and the elements within it often do not 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 book as attempting to rectify problems of implementation. However, no institutional project is immune from politics and KDP is 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 2 (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 quarters within the organisation (the economists and Wolfensohn, for example). As noted earlier, the KDP is associated with the ascendancy of the social development group and their promotion of particular themes that resonate throughout SIN (such as participation and partnership). Indeed, KDP is very much tied to the SDU in the Indonesia country office of the Bank, and in particular to its former head, Scott Guggenheim.[29]

However, the trail that leads to KDP goes back to the broader machinations associated with SIN. In earlier chapters we saw how themes that have been pushed by the Bank's social development staff have been 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. 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. (Interview, Jakarta, 15 December 2005)

Guggenheim also highlights Wolfensohn's efforts towards working with NGOs and the staff 'grassroots immersion' programme (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 setting the stage for KDP:

> 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 immersion programmes, which is hysterical because you could 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. (ibid.)

Furthermore, in Indonesia specifically, other factors assisted KDP coming into being. Important in this regard was an established 'cluster of people who were either sort of socially progressive or interested in grassroots participation or knew how to make a project really function' (ibid.).

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 portfolio in Indonesia and the country's post-New Order transition:

> What brought all this together [were] essentially two things. One was the Bank's programme here – because it was a big structural programme – 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 appealed to the Bank on the empowerment side and appealed to the government because they didn't have too many choices given the destruction around them and the confusion over what would happen next. And ever since then I would say that the guiding framework for what happened in KDP is this notion of Indonesia's transition. (ibid.)

KDP developed amidst crises (both in Indonesia and for neoliberalism more generally) (Guggenheim 2004a: 11). As Guggenheim has pointed out, the timing of KDP was crucial, explaining why it was possible to get the Bank to both move beyond financing highways and irrigation while also 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' (ibid.: 7). 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' (ibid. 11–12).[30]

This said, while conditions outside of the Bank were conducive to KDP's ascendancy, KDP's receptivity within the Bank was not entirely positive. As a World Bank Community Development Specialist (now team leader for PNPM) noted to me, some sectors within the Bank – in particular the rural development sector within Washington headquarters – were less receptive of the project than others (Interview, Jakarta, 19 April 2005). For this person this was partly both a 'turf war' and a concern with 'backstop/technical issues' over what the problems were and how they should be tackled (with questions remaining also as to the functioning of KDP).

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 and hints at just how conservative an organisation the Bank is:

> 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 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 ... 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. (Interview, Jakarta, 15 December 2005)

Nevertheless, both Wolfensohn and former Country Directors presiding over KDP's scaling up were very supportive of the project (ibid.). Further to this, specific bilateral donors (such as DfID) developed a significant amount of trust in the SDU which allowed the Unit extra funding and autonomy (Interview, Jakarta, 18 April 2005).

Beyond its rise, the operation of KDP has not been immune from external political factors – which should be unsurprising given its structure and its institutionally-ambitious objectives. While opposition at the

national level within government has been limited (see below), there was very real opposition to KDP at the middle level of government – where KDP was really going to shake things up. As Guggenheim noted in an interview:

> 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. (Interview, Jakarta, 15 December 2005)

At the national level, KDP's former team leader points to some difficulties with the Department of Public Works, where bureaucrats wanted everything to go through them. However, this issue was not insurmountable, with the established links between BAPPENAS and the Department improving matters (ibid.).[31] Other significant figures associated with KDP point to particular resistance from mid-level bureaucrats, who are regularly hostile towards the consultants and facilitators involved in the project. Further, while the sentiment towards KDP at the ministerial level is supportive, Bank staff identify constraints in government capacity and a 'gun shy' culture (that emerged after decentralisation began) as important in understanding the limits upon KDP's receptivity within government (Interview, Jakarta, 19 April 2005).

Over time, however, resistance to KDP shifted, with resistance from the middle levels of government outside of Jakarta turning into support – especially financial support. Interestingly, as KDP scaled up, it drew some resistance from sections within BAPPENAS in the form of a nationalist backlash directed towards one of BAPPENAS's deputy directors who was central to the development of KDP (Interview, Jakarta, 15 December 2005). While resistance to KDP from the Department of Public Works (mentioned above) declined over time, new resistance from sections of the Ministry of Home Affairs (the government agency responsible for KDP) emerged because of the ministry's desire for everything associated with KDP to go through a single budgetary transfer system (ibid.).

Clearly, certain figures within the Indonesian development bureaucracy played important roles in both KDP and the projects that fed into it (Interviews, 14 December 2005). Bank staff also noted that Guggenheim's congenial connections with people within the Indonesian development bureaucracy (especially BAPPENAS) were important in understanding the

ascendancy of the KDP and the SDU in Indonesia (Interview, 18 April 2005).[32] All of this points to the political nature of a project like KDP and the Bank's work more broadly. Indeed, the politics within the Bank and the state explain why a project like KDP is the way it is. The KDP's design to largely circumvent government means that the politics emanating from the state are perhaps significantly less than they would otherwise be. However, the ability to circumvent the Bank's power group is less than apparent. What is possible is the designing of a 'poverty reduction' project that, with high-level institutional support in a particular historical moment of crisis, delivers its mix of neoliberalism in a novel way.

Conclusion

As a key 'poverty reduction' project for the Bank, KDP fundamentally attempts to build and reform institutions, *en masse,* around government. It does this in a way that exhibits its neoliberal bloodline well, skirting around critical structural issues relating to poverty (such as antagonistic class relations, both domestically and beyond). What is particularly radical about KDP is its approach to building market society. Here, the politics of KDP, internal and external, explain how crises within and outside Indonesia, 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 project possible. What is particularly evident in the analysis of KDP's development and operation is that a unique political environment within the Bank and outside it provided the opportunity for a rather radical-looking project to gain traction, both within the halls of orthodoxy and Indonesia.

Importantly, while KDP's impact upon poverty reduction is still open to question, it does seem to have an impact on modes of behaviour, at least in the short term. However, whether these can be sustained and turned into substantive reductions in poverty is another matter altogether. This raises issues that not only relate to the logic that associates improvements of governance with reductions in poverty but with the very sustainability of such governance reforms in the first place. Interestingly, on the question of whether the efforts oriented towards governance associated with the KDP can be overturned, Guggenheim is unequivocal:

> 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. Elsewhere in the world we see 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? (Interview, Jakarta, 15 December 2005)

Despite this reticence on the part of senior KDP figures, the project's relative success in formal implementation (that is, money gets dispersed and physical infrastructure gets built) ensures that the project continues its precarious mission (albeit under a different name) of tenuous utility in relation to reducing poverty. This brings us back to SIN and what distinguishes it as a new form of neoliberalism. Crucially, what is different about SIN is its approach to delivering its reform set (even though realising and sustaining the institutional reforms embodied within seems fanciful). 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 those associated with KDP, may have broader conceptions of governance than those typically associated with the Bank, evidently this does not 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 (the building of the institutions required of market society). In sum, despite the good intentions of some within the Bank, the approach to reducing poverty pursued by the organisation must first and foremost adhere to the confines of the contradictory project to constitute market society. The only element open for discussion is the approach to reform delivery.

Conclusion: The Impossible Mission and its Antidote

On 31 March 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 (Interview, Jakarta 15 December 2005; Thomas 2007: 729). 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 spread its wings within development policy. By Wolfowitz's arrival, two and half decades later, neoliberalism's hegemony over the Bank was obvious.[1] 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 and the existing means for politically managing this to maintain the legitimacy of market-led solutions to development problems. As was made evident in chapter 2, the early application of neoliberalism in the 1980s faced significant problems – in terms of both implementation and outcome. In the 1990s, neoliberalism encountered several more challenges to its legitimacy, this time derived from both problems in practice and dilemmas of explanation that variously related 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

neoliberalism were both produced and contested. Within the Bank, the troubles associated with structural adjustment, the impacts of large-scale infrastructure projects and issues relating to implementation were increasingly addressed with an expanding focus upon the role of institutions and the deployment of specific methods and processes to assist with embedding Bank prescriptions. Here, the incorporation of foci such as participation and partnership 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 and delivery devices that are expressly used to alter notions of political participation and, indeed, citizenship in an attempt to embed a new form of neoliberal state and constitute market society. In essence, this project is oriented towards narrowly channelling 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 utopian liberal market. In order to understand this effort to transform the form and rationale of political rule an appropriate framework is required to scrutinise the methods and impact of the project, or more specifically, to comprehend the post-Washington consensus (PWC) in practice.

While protagonists such as Stiglitz 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 both the attempted and realised 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 state and society in a market-compatible image. In contrast with the technocratic evaluations of policy success or failure from both custodians and critics of the PWC, the case has been made in this book that the PWC constitutes the promotion of a new form of neoliberalism – socio-institutional neoliberalism (SIN) – which essentially

applies new methods towards state/society transformation, in the interest of subjecting both to the disciplining dictates (following Gill)[2] of the liberal market. To this end, SIN is not so much about critically revisiting the core assumptions of neoliberal development policy as it is about new methods to constitute market society, 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, which necessitates 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 activities (such as public–private partnerships and community driven development projects), 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 and conditioning the realm of the acceptable, limiting possible policy options and the political processes associated with them (Ferguson 1994: 18).

Structurally, SIN proponents allocate the state a central role. SIN is in no small way concerned with establishing a neoliberal 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 new institutional economics (NIE), lower transaction costs and reduce information asymmetries. However, this reconceptualisation of the state and its attempted application is a highly political project. Further, as was made evident in several chapters, 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 (yet selective) 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 includes the likes of labour, non-governmental organisations (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 agenda. While the attempt by the Bank to engage 'civil society' is an indicator that the organisation is more than aware of the political nature of reform, the often divergent interests noted above mean that this engagement has definite limits in aiding with the implementation of neoliberal reform. Certainly, 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 within the halls of orthodoxy. While SIN's various delivery devices and political technologies are attempts 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 5, 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 International Finance Corporation (IFC) played a leading role, demonstrates the manner in which the interests of capital 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 water privatisation. While this meant that the process went forward, the manner in which it unfolded illustrated the way that particular interests regularly make SIN reform impossible to implement in its ideally conceived form. Rather than generating big efficiency gains for the public, massive problems with water provision persisted, costs increased dramatically 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 formal institutional transformation and the concomitant shift in political power associated with the commodification of utilities.

Chapter 6 illustrated how participation and partnership, as political technologies, were incorporated by the Bank into the development of the Country Assistance Strategy (CAS) for the Philippines and its implementation. In this instance, what was clear was that these political technologies were to be used in an attempt to build consensus around the SIN agenda. 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 is 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, they are significant attempts at narrowing political contestation over neoliberalism. In short, participation and partnership attempt to orientate the process of state/society transformation, the key objective of SIN, away from contestation towards consensus, specifically around market foci.

Chapter 7 once again demonstrated the manner in which politics shape the SIN agenda. Here, in particular, we saw how particular delivery devices, such as budget support, and the conditionality attached to them can be strongly conditioned by issues of legitimacy. A country such as Vietnam, with its impressive rates of growth and improvements in key poverty reduction indicators, simply cannot be ignored by the Bank, even though the ideology and practice of the Vietnamese state give cause for concern for some Bank staffers. This situation actually means that the Bank extends large amounts of soft money to Vietnam in a manner that is robustly complimented by donors and which makes extensive use of Vietnamese country systems. On the other hand, Cambodia – a poorer country than Vietnam – is another matter altogether. Indeed, faced with the networks of highly exploitative patronage that extend to the very top of the Cambodian state and

still sore from high-profile corruption scandals within its portfolio, the Bank's efforts are timid and its SIN toolkit is found wanting. In Cambodia, the organisation resists assuming the role of lead donor and exhibits a minimalist country programme focused around promoting 'good governance'. Meanwhile, high growth and alternative sources of funding from the likes of the Asian Development Bank and China ensure that the regime that presides over the country's tumorous patterns of governance persists. Despite the most impressive formal structures of harmonisation, the overall story is one that the Bank can only be very minimally associated with.

Finally, in chapter 8 we saw a novel example of a SIN 'poverty reduction' project that attempts 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 Kecamatan Development Program (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 programme effectiveness. This demonstrates the fundamental argument of this book that the primary purpose of the PWC's projects 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 KDP has engendered is open to significant challenge – a point even conceded by key people associated with the project. Furthermore, and related, the project's connection with poverty reduction (that is, the improvement of material conditions) needs to be looked at over time – especially now that the project significantly forms the basis for eliminating poverty in Indonesia. Given the KDP's debt-based structure that works within the confines of SIN, the project may well just be another element in 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 the World Bank and the impossible mission to constitute the utopian market society of SIN? The argument that I have made is that SIN's capacity to realise state/societal 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 which merely assists in promoting contradictory projects and denying ideational space to alternatives for combating

underdevelopment. 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 liberal market. However, 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 into an 'ideal' SIN form and yield the results to which SIN is tenuously linked (such as poverty reduction). Both of these relate to a terminal undervaluing of class power.

Whether SIN evolves further in relation to conflict, crisis and contradiction is yet to be seen. While Wolfowitz's nomination was greeted with much scepticism and the entry of Robert Zoellick (well known as a hard-nosed advocate of free trade and a Deputy Secretary of State under George W. Bush) seemed to threaten the possibility of another conservative push, interestingly we have not seen a vast change in the adherence by the Bank to SIN. If anything, the negligible change at the Bank during both Wolfowitz's brief period as President and under Zoellick's incumbency is indicative of SIN's hegemony. This is not to say that nothing has changed – people formerly within the social development unit of the Bank talk about the ongoing 'erosion' of participation agenda into an even more utilitarian incarnation, for example, and there has also been a pronounced refocus of late on Africa.

However, the very same pressures of legitimacy, crisis and conflict that propelled SIN into such a prominent position within development policy could bring this into question. The current global economic crisis may provide just such a catalyst, although the early signs – it must be said – are inconclusive. If anything, the Bank and its sister organisation, the IMF, have actually benefitted from the economic crisis – with the former expanding lending and the latter seemingly saved from being relegated to multilateral backwaters (World Bank 2009c). While the crisis has resulted in sharp criticism against the logic of the market and neoliberalism more broadly in the developed world, little of this has been channelled towards the Bank and the Fund and their respective efforts.

All of this offers further indications of neoliberalism's hegemony. In a cruelly ironic way, the increasing subjection of people to the market in the developed world, and the precariousness that accompanies this, means that encouraging an interest in the process of development and the work of the Bank is even harder to achieve than before. This said, it is as crucial as ever that progressive social forces – in both the developed and the underdeveloped world – articulate and defend their

political interests around notions of international solidarity rather than competition and pseudo-consensus. This involves pointing out the contradictions embodied in the impossible mission and struggling to realise alternatives to it. Put another way, it is essential that people with hope and imagination struggle to prove that the delusions of development embodied in the logic of 'good governance', public–private partnerships and 'community-driven development' are not the end of history.

Notes

Introduction

1. Of this new constitutionalism Gill states: 'The World Trade Organisation and other organisations of governance such as the international financial institutions are attempting to create a set of long-term economic and political reforms that gain constitutional status, thus underpinning the extension of the disciplinary power of capital on a world scale. In the case of the World Bank, this also relates to an effort to reshape the internal and external structures of states in the Third World. The goal is to create an "enabling state", that is one that will deliver an improved *long-term* investment climate better protection of private property rights, and *inter alia,* higher levels of profit flows in the future. Thus a central goal of new constitutionalism is to secure protection of property rights and investor freedoms on a world scale, although the precise form that such initiatives will produce varies in and across different states and civil societies' (Gill 2000: 3).

1 Contending Understandings of the New Development Agenda

1. Emphasis in the original.
2. Ha-Joon Chang calls Stiglitz's WIDER lecture an 'opening salvo in his campaign against the Washington Consensus' (Chang 2001a: 5). See also Fine (2003a: 2).
3. Ha-Joon Chang's title for his collection of some of Stiglitz's important speeches, *Joseph Stiglitz and the World Bank: the Rebel Within*, is but one obvious example of Stiglitz being portrayed as a radical inside the halls of orthodoxy (Chang 2001b).
4. Of course, the term 'impossible project' is in no way meant to indicate that the project is not ongoing! Indeed, this book charts the project's very evolution and impact. The term is deployed throughout the text to specifically denote the contradictory nature of the project and its inability to realise a utopian neoliberal end-state.
5. See, for example, the section below on critical analyses of the PWC.
6. It is perhaps important to be clear here that I am in no way suggesting that people are saying that Stiglitz invented the PWC, rather, that what he has promoted is often confused with it.
7. In this regard, Stiglitz has criticised the Washington consensus for its excessive emphasis upon controlling inflation and promoting trade liberalisation, deregulation and privatisation while simultaneously ignoring 'other important ingredients'. He also offers that the 'correct' budget and current account deficit size is context sensitive in contrast to the macroeconomic policies of the Washington consensus which were rigidly focused upon reducing government, the budget and the size of the current account deficit

(Stiglitz 2001a: 20–3, 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).

8. For example, Stiglitz gives some attention to human capital (dealt with in chapter 3) and the importance of government in ensuring an adequate provision of it, through education funding, given the market's tendency to under provide it. (Stiglitz 2001a: 42; Stiglitz 2001c: 70).
9. 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.
10. Indeed, the new development agenda, as will be elaborated in the following section, can be understood as an essential element in a broader project which has been described by Gill (1995) as 'new constitutionalism', what Jayasuriya (2005) has described as 'economic constitutionalism', what Soederberg (2004a) has analysed in the form of the New International Financial Architecture (NIFA) and what Cammack (2003) has identified as the 'completion of the world market'.
11. These are all essential elements in understanding the PWC and are covered in detail in various chapters within this book.
12. The report is dealt with in more detail in the next chapter.
13. Emphasis added.
14. The chapters by Kate Bayliss and Christopher Cramer (on privatisation and the PWC), Sonali Deraniyagala (on industrial policy), and Fine's introductory chapter are particularly notable in this regard.
15. Ben Fine's chapter in the volume 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' (Fine 2003a: 3). 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 PWC, when really a linear analysis is more relevant. This is most definitely a legacy of an analysis that focuses upon Stiglitz *as the PWC*. This influence is also present in Fine's following remark about the PWC: 'In short, even before the old consensus has been decently assessed and buried, the pretender to its throne is already grabbing at the crown in a palace revolution' (ibid.: 3–4). Such an analysis is interesting given Fine's remarks relating to the PWC's intellectual underpinnings: 'the break with mainstream neo-classical economics can only be exaggerated' and 'There is, then, a natural progression from the Washington to the post-Washington Consensus from an analytical point of view' (ibid.: 6, 10).

16. Emphasis in the original.
17. Cammack describes the 'Wolfensohn–Stiglitz project' 'as a sustained attempt to take forward the programme that had been developed over the early 1990s, but [which still needed] to be operationalised, legitimized 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 2004: 190).
18. 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 2002c: 226).

2 SIN Rising

1. 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*. See Wade (2001b: 124–37).
2. John Toye (1987: 22) dubbed the ascendancy of neoliberal influences in the 1970s and 1980s the 'counter-revolution' in development theory because it countered the previous revolution in economics: Keynesianism.
3. 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' (Mosley, Harrigan and Toye 1991a: 10–11).
4. 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' (Leys 1996: 17–18).
5. 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 (Leys 1996: 9–12).
6. Mosley 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, Harrigan and Toye 1991a: 24).

7. By 'simple' I am referring to the relative simplicity of 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 the following chapter.
8. 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 1989: 17–18).
9. 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 (Bøås and McNeil 2003: 87).
10. 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).
11. These issues are picked up on a theoretical level in the next chapter.
12. This said, Cammack has noted that the state still 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 Cammack (2004: 191–2).
13. 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 2001a: 12).
14. 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 – in particular, the link between Japanese directed credit to Southeast 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 (2001a: 13–14).

15. For an introduction to the debates see Rodan, Hewison and Robison (2001a).
16. One should be careful here. The use of the word 'depoliticised' is in no way meant to suggest that this conception 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.
17. Emphasis in the original.
18. 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 1997: iv).
19. Italics in the original.
20. See chapter 3 for a precise definition of how the Bank currently defines good governance.
21. For more information on the Millennium Challenge Account and its use of selectivity see Radelet (2004) and Soederberg (2004b).
22. Bøås and McNeil emphasise the narrow manner in which governance is construed by the Fund. 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 (Bøås and McNeil 2003: 86). This is taken up in detail in chapter 3.
23. For an insight into the problems of implementation of IMF prescriptions to rectify the effects of the crisis in Indonesia see Robison and Rosser (2000: 171–91).
24. For an example of the neoliberal position that challenged the Fund's assessment of the Asian crisis and the 'remedial medicine' it prescribed see Sachs (1997: 8). For an example outside the neoliberal camp that challenged the validity of IMF prescriptions in relation to the Asian crisis see Veneroso and Wade (1998: 3–23).
25. Stiglitz 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' (Stiglitz 2001a: 19). After his term as World Bank Chief Economist Stiglitz 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' (Stiglitz 2000: 56).
26. Lyla Mehta has noted another example of conflict and tension arising over the production of an earlier *WDR*. Several key writers of the *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' (Mehta 2001: 192). 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' (ibid.: 192).

27. The Social Development Network (SDN) within the Bank constitutes an obvious body of support for many of the ideas that found their way into the *WDR*. In this respect, Gloria Davis's history of the SDN states of the report, '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 2004: 33).
28. See the case study in chapter 8 for an example of a large-scale poverty reduction project that incorporates many of the foci pushed by the social development staff.
29. The questions of who 'innovates', what is innovation and who decides what is failing are taken up in subsequent chapters. The framework within deployed in this book rejects the largely depoliticised and voluntarist analysis of institutions that the *WDR 2002* and other *WDRs* champion. See the next chapter for a more detailed critique of SIN approaches to institutions.
30. Stiglitz is credited with providing 'valuable suggestions' during the *Report's* writing (World Bank 2002: v).
31. The specific elements that Soederberg refers to, such as the PRSPs and the CDF are covered in chapter 4.

3 Getting the New Basics Right

1. New institutional economics is also synonymously referred to elsewhere as 'neoinstitutional economics'.
2. The term 'new basics' is a reference to a now-well known line in the World Bank's report, *The East Asian Miracle* (covered in chapter 2), 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' (World Bank 1993: 5). Here, of course, the phrase 'the basics' referred to a normative Washington consensus conception of development, with particular emphasis upon neoliberal macroeconomic prescriptions.
3. Many of NIE's protagonists have received the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. For example, Ronald Coase received the prize in 1991, Douglass North received it in 1993 and George Akerlof, Joseph Stiglitz and Michael Spence received the prize in 2001.
4. Take for example the following quote from the 2002 *World Development Report* which describes some of the beneficial functions of institutions in relation to information: '*They channel information about market conditions, goods, and participants.* Good information flows help businesses identify partners

and high-return activities – and assess their creditworthiness. Information about businesses helps governments regulate effectively. Institutions can affect the production, collection, analysis, verification, and dissemination – or the withholding – of information and knowledge. They do this for participants in, and between, communities and markets. Examples include accounting firms and credit registries, which facilitate information processing, or government regulations on the media, which restrict the dissemination of information' (World Bank 2002: 8).

5. 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 4) indicates '…that the inclination toward social engineering remains as strong as ever' (Pincus 2002: 78).
6. 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 2003: 68–9).
7. See also the case study in chapter 5.
8. Interestingly, the World Bank Institute's Daniel Kaufmann (2004: 83–102), writing in the World Economic Forum's *Global Competitiveness Report 2004/2005*, has taken exception to this false dichotomy. He offers (quite correctly) that the 'bad' governance of the underdeveloped world is often connected with multinational or transnational firms headquartered in the first world and that the 'good' governance of the developed world is not as good as some suggest.
9. 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 institutionalisation of standards and constitutional changes' (Gill 2000: 3). Emphasis in the first paragraph added.
10. In a paper discussing social capital debates in the World Bank, Bebbington et al. 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' (Bebbington, Guggenheim, Olson and Woolcock 2004: 57).

11. See John Harriss (2002) 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 from that of Pierre Bourdieu who has been credited with an earlier and very different deployment of the term, and who is associated with Marxist thought and an understanding of social class reproduction (Harriss 2002: 4, 17–21).
12. Putnam's famous and controversial (logically, methodologically and empirically) study of Italy, *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 (Harriss 2002: 15, 29, 21–5).
13. Indeed, Putnam draws upon Coleman, in his book *Making Democracy Work*, in defining social capital (Putnam 1992: 167).
14. Interestingly, Putnam was brought into the Bank by two 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 2004: 41).
15. 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 the 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 described by Woolcock and Narayan is 'the institutional view', which emphasises the importance of formal institutions as highly influential upon social groups, 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' (Woolcock and Narayan 2000: 225–49).
16. Interestingly, he also notes that '[l]east progress has been made in measuring social capital and in determining empirically its contribution to economic growth and development' (Grootaert 1998: 1).

17. Grootaert suggests that mass rural to urban population shifts risk, eroding social capital by reducing the density of rural networks. This of course suggests, however unintentionally, the importance of certain social structures (such as those attending global capitalism) over others. He offers that these networks might not easily be recreated in urban environments, implying that urbanisation, which is a major shift underway globally, is bad for social capital's prospects in both urban and rural environments. Grootaert tempers the implications of this analysis by stating that '…in some cases migrants have formed urban groups'. However, such an insight does seem to devalue social capital as the 'missing link'. His analysis becomes vague, looking more like an uncritical, conceptually driven juggling act, 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' (Grootaert 1998: 5–6).
18. 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 and Landolt, 1996: n.p.). Harriss also makes a similar point (Harriss 2002: 9–12).
19. 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 2000: 233).
20. Scott Guggenheim, the former 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, Jakarta, 15 December 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' (Guggenheim 2004a: 16).
21. This point is covered further in the next chapter on SIN's delivery devices and political technologies that attempt to assist with implementation. In the framework proposed within this book I have had to make certain decisions

with regard to SIN's categories or, more specifically, what constitutes a prescription and what constitutes a delivery device or political technology. In the case of social safety nets and social risk management, there is significant 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.

22. 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' (World Bank 2003b: 79).
23. Notably, the chapter begins with a quote from rational choice theorist Gary Becker that states: 'Modern economies require that people invest in the acquisition of knowledge, skills, and information throughout most of their lives' (World Bank 2003: 73).
24. 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 ideally: '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 2001a: 41).

4 Embedding the New Basics

1. 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 to describe the function of cigarettes as delivery devices for nicotine.
2. Individual projects and programmes of the Bank are not considered in this chapter. However, several are dealt with in the subsequent case study chapters.
3. 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 the policies themselves.
4. Interestingly, in an interview with one senior Bank country staffer in Manila in 2005, the role that the CDF now serves in day-to-day operations was 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, Manila, 11 April 2005; Wolfensohn 1999).
5. Key initiatives and ideas that bear the influence of both Stiglitz and Wolfensohn, such as the 'Development Gateway' and the 'Knowledge Bank'

(with its focus upon 'knowledge sharing'), also echo many of the CDF's components. The Development Gateway Foundation, which operates the Development Gateway portal, is an 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 (Development Gateway Foundation n.d.a and b).

6. The MDGs stem from conferences and summits held in the 1990s by the United Nations. The MDGs are a set of goals designed to focus the development agenda on achieving mutually-agreed quantitative results in terms of poverty reduction. Signatories to the Goals include members of the UN system, the World Bank and the IMF (World Bank 2003c; International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank 2000: 2).
7. 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 n.d.d)'. 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. However, 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' (World Bank 2003d: 1).
8. The regional breakdown of I-PRSPs produced is as follows: sub-Saharan Africa: 27; East Asia and the Pacific: 5; Europe and Central Asia: 10; Latin America and the Caribbean: 7; Middle East and North Africa: 2; South Asia: 3. For PRSPs sub-Saharan Africa has produced 48; East Asia and the Pacific: 8; Europe and Central Asia: 14; Latin America and the Caribbean: 7; Middle East and North Africa: 2; South Asia: 8 (World Bank n.d.j).
9. The Highly Indebted Poor Country Initiative (HIPC), launched in 1996, is an effort of the Bank and the Fund to respond to the untenable levels of debt servicing that poor countries were facing and the associated high-profile activism of the Jubilee 2000 movement that the debt situation galvanised. The HIPC is deeply interwoven with the PRSPs and incorporates a trust fund (the HIPC Trust Fund) which is used to variously buy and cancel debt and offer development grants (Marshall 2008: 158).
10. A point should be made here about 'harmonisation' between the Bank and the Fund in the PRSP agenda. This echoes the legacy of the Washington consensus in an eerie way – dispelling any myth that the fractures between the Bank and the Fund, which 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 closer working relationship between the Bank and the Fund and a

re-articulation of the Bank-Fund division of labour (International Monetary Fund n.d).

11. 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 concerns on the part of Bank in relation to a member country and results in a restriction of funding.
12. 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 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 2000: 306).
13. This relates very closely to what Stephen Gill has described as 'the new constitutionalism of disciplinary neoliberalism' (Gill 2000).
14. In this regard, the *1998/99 World Development Report, Knowledge for Development* is particularly emblematic (World Bank 1999).

5 Attempting Market Extension through SIN

1. Buenaventura and Palatto note that after Ramos, Joseph Estrada also continued the privatisation trend. That said, the privatisation process – pushed by the Bank – started before Aquino. As Victoria Raquiza mentions, prior to the downfall of the Marcos dictatorship the World Bank had imposed a condition which '…defined and explicitly limited the participation of government-owned or controlled corporations (GOCCs) in the economy. The policy also called for the disposal of non-revenue-generating GOCCs and the generation of funds from their sale to finance key development programs, such as agrarian reform' (Raquiza 2003: 162).
2. Esguerra notes that at the point of privatisation MWSS's debt was assumed to be US$880 million.

   Buenaventura and Palatto argue that some of the problems of the MWSS related to the fact that the government, in prioritising debt servicing, had failed to invest in water related infrastructure and that the MWSS itself was burdened with a massive amount of debt owed to creditors that included the World Bank, the Japan Bank for International Co-operation (JBIC) and the Asian Development Bank (ADB) (Buenaventura and Palatto 2004: 9). Certainly, the Bank extended various significant loans for water services in metropolitan Manila over the years, such as the Manila Metropolitan Water Supply Project (1964-70, US$20.2 million), the Manila Water Supply Project (2) (1978-85, US$88 million) and the Metropolitan Manila Water Distribution Project (1986-93, US$69 million) (World Bank n.d.o; World Bank n.d.p; World Bank n.d.q). Dumol has noted that pressure from the Department of Finance (DOF) saw the MWSS borrow mainly from official development agencies which had required that it be run like a company and make a profit. While the MWSS made profits, Dumol states that this occurred '…at the expense of operations and maintenance' (Dumol 2000: 19).

3. 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 2000: 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 appear to be important sources of income for political parties in France, especially that of President Jacques Chirac (Gudoy 2003). Indeed, Chirac himself was unexcited 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' (Center for Public Integrity 2003a).
4. Also echoing this enthusiasm for the Bank's 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 2000: 14).
5. Discussing the intersection between the World Bank and the global water companies, Grusky 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 n.d: 2). 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.
6. Notable in this regard are Dumol's numerous references to the highly-political nature of potable water, which he describes as a 'commodity' essential to life (Dumol 2000: 9, 56).
7. 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 assets and add new ones (which it finances), while delivering the service to customers; a *build, operate, transfer contract* (BOT), where a contractor finances, builds and operates facilities and sells its service to the government rather than the user; a *lease or affermage contract,* where a private operator manages and maintains utility facilities for a period of time (ten to twenty years) and finances the maintenance of existing facilities but is not expected to finance new infrastructure; *operation and maintenance contracts,* where a private operator is completely responsible for the operation of facilities and the state (which owns the infrastructure) pays the private operator for the service; and, finally, a *management support contract*, where a private contractor is given specific tasks and objectives in terms of improving service delivery (Finger 2004: 286).

8. Foreign ownership rules embedded in the Philippine constitution limit foreign ownership of utilities to 40 per cent (Dumol 2000: 38).
9. Ayala Corporation has stakes in '… real estate, electronics, utilities, the automotive sector, banking, insurance, telecommunications, transportation and food' (World Bank – IFC – 2004). When Manila Water won the concession in 1997, its composition included International Water, which, at the time, was entirely owned by Bechtel. In 1999, the Italian utility giant Edison SpA bought a 50 per cent stake in International Water. In December 2003 Manila Water bought out International Water's 16.6 per cent share in the joint venture. However, International Water continued its affiliation with Manila Water through a 'well-established strategic alliance' with United Utilities (Bechtel 1999; Manila Water n.d.a; Manila Water n.d.b: 21).
10. The other is also a French-based multinational, Veolia (previously Vivendi).
11. The Lopezes have been an oligarchic force in the Philippines for generations. Since the early part of the last century the success of the Lopezes depended upon their ability to manipulate the financial and regulatory powers of the state to gain licences that restricted market access and guaranteed them rents. Having made a fortune prior to Marcos' rule, the Lopez media and electricity interests were expropriated by the dictator (and divvied up to his cronies) when the then Lopez owned *Manila Chronicle* turned against him. After the dictator's fall, and under the presidency of Corazon Aquino (1986–1992), the family got many of its operations back and has regained its position as a dominant Filipino clan (McCoy 1993: 429–536; Hutchcroft 1991: 435, 443). In 1999, there was considerable interest over the looming wedding between the daughter of then President Joseph Estrada and one of the Lopezes because, as one writer put it, 'the sweep of major Lopez enterprises' were 'all dependent on state franchises' (Lopez 1999).
12. In addition to water, MPIC has interests in toll operations and healthcare and is the Philippine affiliate of the Hong Kong-listed First Pacific Company which has interests in the Philippines largest telco – PLDT – and a majority share in the massive Indofood corporation (First Pacific 2008: 1). DMCI is associated with the Consunji family in the Philippines and is involved in construction, mining and power.
13. 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 concessionaires, the government and the multilateral banks. The role of these groups and their conflict with the other interests is covered below.

With regards to the Philippine Congress at the time, Michael Pinches notes, '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 1997: 113).

14. At the same time, Ayala (the major shareholder of Manila Water) displayed a willingness to buy out its foreign partner and buy into water supply projects elsewhere in the world (Garcia 2003; Manila Water n.d.c). As noted above, in early 2005 (in partnership with the ING Group) Manila Water also expressed an interest in the ailing Maynilad (Manila Water 2005).

6 Participating in the Embedding of SIN

1. An earlier version of this chapter was published in Carroll 2009b.
2. A search of the Bank's website in August 2005 returned 812 hits for *participation* and 866 hits for *partnership* respectively.
3. For an assessment of the CAS as a key delivery device of SIN see chapter 4.
4. The importance of this connection was clear in discussions on the CAS with one senior Bank country office staffer who, while talking about the CAS, also favourably described the MTPDP as being more 'realistic' and 'credible' than previously (Interview, Manila, 11 April 2005).
5. This, of course, implies an acceptance by government of a neoliberal analysis of and prescription for the problems.
6. Business was given a separate consultation opportunity. This said, the staffer noted that business and other donors did attend the main meetings and that in one meeting there was a 'conspicuous presence of business.'
7. Emblematic of the Bank's new youth focus is the *World Development Report 2007, Development and the Next Generation* (World Bank 2006b).
8. One World Bank staffer pointed out that these workshops were not the only mechanisms drawn upon in the process and that the Bank maintains dialogues with groups beyond the CAS process (Email correspondence, World Bank (Philippines), October, 2005).
9. For example, a list of people associated with the Cebu CAS consultations confirms that a wide array of groups and individuals were invited to the meeting, including groups intensely critical of the Bank.
10. In this respect, a senior member of the Philippine Rural Reconstruction Movement (PRRM), an organisation that 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'. The point was further qualified by offering that such involvement constituted an opportunity to get benefits for the people that PRRM support and that engaging with the World Bank in the way that PRRM does was not 'risky' (Interview, Manila, 25 November 2005).

11. For a quick indication of the number 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 – by far the longest list of participants from any of the countries listed on Social Watch's website. For a more detailed analysis of civil society in the Philippines see Frago, Quinsat and Viajar's (2004) *Philippine Civil Society and the Globalization Discourse*. Chapter three is particularly relevant (especially pages 54–75).
12. 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 (Interview, Bangkok, 4 April 2005).
13. The interviewee also stated that there was no time for questions and emphasised the importance of giving ideas 'time to gel'. The point about the lack of time for questions at the same consultation meeting was also made to me by a member of local government (Interviews, Cebu, November 2005).
14. This interviewee also had concerns that the CAS consultation process did not see 'the reality on the ground. People working in air-conditioned offices don't have contact with the poor.' The same person also noted that their NGO would not take money from the World Bank, with concerns voiced about the restrictions that would accompany such an action.
15. There are no dissenting views highlighted in the consultation documents for the CAS.
16. 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.
17. Take, for example, the synergies between some of the titles and thematic classifications of the briefing papers ('Strengthening the Investment Climate'; 'Restoring Fiscal Sustainability'; 'Governance and Institutional Strengthening'; 'Making Decentralization Work Better') and the focus areas for 'analytical and advisory activities' (AAA) highlighted in the CAS (Growth and the investment climate; fiscal reforms; governance, political economy of reform and anti-corruption; and LGUs, municipal finance) (World Bank 2005c: 34–5; World Bank n.d.s).
18. Interestingly, the Program Coordinator responsible for producing the Philippines CAS notes that they have never heard of items (including CASs) being rejected by the Bank's board.
19. This is reflected in the current CAS as the next section makes clear.
20. By a 'typical SIN policy set', I am not saying that the mix of policies pushed in different settings is always the same. Indeed, there are often important differences between World Bank country offices in terms of the particular array of reforms promoted and the specific manner in which they are delivered.
21. Others have specified more democratic options. For example, Paul Hutchcroft – one of the most eminent scholars on contemporary politics in the Philippines and a reference source for the Bank – has emphasised the importance of strengthening political parties as popular representative institutions as a vital way for the Philippines to move forward (Hutchcroft 2005).

22. This figure (using 2006 data) was arrived at using the World Bank's PovcalNet tool.
23. Take for example the 'Thailand – World Bank Group, Partnership for Development' document which is actually a renamed Country Assistance Strategy (World Bank n.d.t).
24. Note that not all of the excerpts are quoted here in full.
25. The MTPDP was produced by the National Economic Development Authority (NEDA) which was the key government agency associated with the CAS consultation process.
26. 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.
27. The Bank also hosts an LGU Assistance portal on the internet.

7 Everyone Loves a Winner

1. Vietnam is only surpassed on this count by Iraq and Afghanistan.
2. ODA only makes up approximately 4 per cent of gross national income (GNI) and foreign direct investment flows are substantial (World Bank 2007a: 342, 350).
3. In 2008, 'middle income status' for the Bank meant a country having a per capita GNI of US$976.
4. This, of course, was not unprecedented within communism. For example, faced with crisis, Lenin turned to the select use of market mechanisms with the New Economic Policy as a way of continuing the Russian revolution, whilst ensuring that core areas of the economy (the 'commanding heights') were protected from capital.
5. Notably also, when grain prices doubled in 1989–90 (leading to an increase in production), Vietnam shed its former status as dependent on rice imports to become, after Thailand and the United States, the world's third biggest rice exporter (Masina 2006: 61).
6. Marcus Cox notes that 'Vietnam is traditionally strongly resistant to any attempts to use ODA to "buy" reform.' He points to the willingness of the country to decline aid rather than agree to 'unwanted conditionality' (Cox 2006a: 2).
7. The section concedes that while unofficial payments are not a significant burden for business they can be a significant cost for households who have to pay extra to secure health and education services and that this sort of financial burden is 'deeply resented' by the population.
8. PRSC 1 (approved in 2001) was US$250 million, PRSC 2 (2003) was US$100 million, and PRSCs 3–5 (a series) were each US$100 million. These figures were complimented with significant co-financing elements which lifted totals significantly (for example, PRSC 5 had additional co-financing of US$154 million). While actual disbursements differed from the co-financing amounts committed, for PRSC 1–5 the Bank disbursed all of the amounts it signed off on (World Bank 2006a: 33).
9. Actually, PRSCs after PRSC 1 continued to be classed as structural adjustment in project information documents. However, Bank staff now make the

distinction between PRSC 1 (which built in conditions) and other PRSCs (which were much more lenient) as one between structural adjustment (conditional policy lending) and lending as part of a 'policy dialogue' (World Bank 2004b; Interview, Hanoi, 2009).

10. Previously, the CAS and the PRSCs were focused around the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which preceded the SEDP.
11. While PRSC 1 stipulated conditions for the release of tranches and PRSC2 incorporated 'effectiveness conditions', subsequent PRSCs dropped such requirements (World Bank 2007d: 5).
12. Whether reforms identified as 'part of the PRSC process' would have taken place without the PRSC is a very reasonable question. 'The strong ownership' of the programme by government not to mention the lack of leverage that the Bank exercises over the state in Vietnam certainly suggests that this is a possibility (World Bank 2007a: 5; World Bank 2007d).
13. One economist with many years working in development industry in Vietnam (including with the Bank) noted of the Bank's relationship with the country, '...apparently, the World Bank board just says "have they reformed the banking sector yet?", and the answer is "no, not really", so the board says "oh well, give them the middle [level of lending]." It's all just a game' (Interview, Hanoi, May 26, 2009).
14. The Vietnamese approach to consensus building, which involves mass organisations and which is subjected to broad-based ongoing tests of political legitimacy, stands in stark contrast to the Bank's, which is based upon building support within select constituencies for a narrow policy set (see chapter 6).
15. In most cases, once a country reaches a certain per capita GNI – which in FY 2010 was US$1,135 – it is no longer eligible to borrow from IDA.
16. Indeed, one person engaged in the Vietnam 'development' scene conveyed how the Bank was seemingly paranoid that the country would not borrow after graduating from IDA, noting that the organisation issued a press release stating proudly that the country was now eligible for interest-bearing International Bank for Reconstruction and Development loans (IBRD) (Interview, Hanoi, May 26, 2009).
17. The DK regime had taken radical measures in the name of the poor, who were seen as virtual slaves exploited under a feudalist order. Money, markets and private property were abolished, as were individual freedoms of expression, belief and movement. By the time of the Vietnamese invasion, the regime had been responsible for an estimated two million deaths (a quarter of the population), with malnutrition, overwork and the killing of identified regime opponents accounting for a significant portion of this figure (Chandler 2008: 259).The regime left the country in a state where industry, utilities and services were virtually non-existent and infrastructure dilapidated. Professionals, such as doctors and teachers, were also in extremely short supply (Hughes 2003: 20; Gottesman 2003: x).
18. Civil war in the 1980s was waged between the PRPK regime and a coalition (backed by the Chinese and Thailand and which included remnants of the DK regime, royalists and the Khmer People's Liberation Front (a pre DK regime). The coalition held Cambodia's seat in the UN (Hughes 2003: 1–2).

19. The government in Phnom Penh had received a massive proportion (up to 80 per cent) of its budget from aligned communist countries. However, International Monetary Fund's conditionality imposed upon some of these donor countries in the early 1990s meant that they could no longer disburse money to countries like Cambodia and Vietnam (Hughes 2003: 31).
20. In 2005 Cambodia received a score of 2.3 and a ranking of 130 (Transparency International 2005).
21. Cambodia was one of 14 pilot countries for the implementation of the Rome Declaration.
22. The Cambodian Development Cooperation Forum was formerly the Consultative Group.
23. In 2007 development assistance amounted to just over US$790 million, while government capital expenditures were a little over US$110 million. This said, the government's options are expanding, with more donors (such as Kuwait and Qatar) scheduled to add to the ODA burse which provides the country with nearly 90 per cent of total public resources available for development purposes (Cambodian Rehabilitation and Development Board 2008: 1).
24. Despite having a very narrow economic base, growth reached double digits between 2004 and 2007 (World Bank 2008a: 1).
25. Cambodia's per capita income of US$430 ranked it 180th in the world in 2005 (World Bank 2007a: 14).
26. Notably, China contributed over US$300 million to Cambodia between 1992 and 2007, with 75 per cent of this figure accounted for by disbursements after 2004.
27. Figures for 2005 per capita flows are based upon population and development assistance data from the *World Development Indicators* (2007). Figures for per capita amounts between 2002 and 2007 are calculated using data from *The Cambodia Aid Effectiveness Report 2008*. In 2005, Vietnam – a country of approximately 83 million – received US$377.7 million from the Bank or around US$4.55 per person. The regional development banks, such as the Asian Development Bank, contributed significantly less: US$217.6 million or around US$2.62 per person. Projected figures for 2008 indicate that China is set to become Cambodia's second biggest development partner after Japan (World Bank 2007a; Cambodian Rehabilitation and Development Board 2008).
28. Between 1992 and 2007 Japan provided over 20 per cent of Cambodia's development cooperation resources, contributing US$1.56 billion.
29. In terms of percentage contributions, the Bank was the third most important development partner in the water and sanitation sector (3.5 per cent), the fourth most important in the education sector (7.3 per cent), and the fifth in transportation infrastructure (1.6 per cent).
30. In particular, the report focused upon reform of the judiciary, different forms of accountability to address the massive exploitation of the country's natural resources, decentralisation ('to bring government closer to the people'), and the removal of 'governance impediments to the private sector and competitiveness' (World Bank 2004c: 11).
31. Interestingly, in an effort to harmonise donor activities part of the CAS was jointly prepared with the ADB, the United Kingdom's Department for

International Development (DfID) and the United Nations Development Programme (UNDP). This said, the impact of the governance issues covered in the CAS upon the respective country portfolios of the World Bank and the ADB differ dramatically as noted by the comparative figures above.
32. The article even mentioned the sensational revelation that contracts were taken out on people's lives in the drive to win project bids.
33. *The Wall Street Journal* demanded that the US Congress should deny the Bank funding until it demonstrated a willingness to seriously deal with corruption.
34. An international procurement agent was also appointed.
35. The release of the report led to increased pressure from donors on government to pass a stalled anti-corruption law.
36. Garment manufacturing accounts for around 80 per cent of the economy, while only employing a small portion of workers. Notably, in recent years the industrial sector has been the main driver of growth, with agriculture's contribution to GDP declining from nearly 50 per cent to 33 per cent during the ten years up to 2002, despite the overwhelming majority of the population being based in the sector (World Bank 2005d: 2–3).
37. The Bank has 22 ongoing and proposed AAA (non-lending projects) for the period between FY2008–FY2011 (World Bank 2008a: 46). Interestingly, some have offered that there is 'mixed evidence' to show that analytical and advisory assistance (also known as technical assistance and technical cooperation) has delivered important development outcomes (Cambodian Rehabilitation and Development Board 2008: 4).
38. The Bank and others warn that Cambodian country systems entail 'fiduciary risk' (assessed as 'high'), gatekeeping, deficient accounting/reporting practices and a general inability to guarantee that public funds are used legitimately (World Bank 2007e: 29, 49; Cox 2006b: 16: Cox and Thornton 2009: 32).
39. Bank staff in Phnom Penh put the stalling down to implementation issues and the 'political complexity' of reform (Email correspondence, World Bank – Cambodia – 9 November 2009).
40. The CAS Progress Report proposes an ongoing annual Bank commitment of US$15 million from 2008-2010 (World Bank 2008a: 44).

8 A 'SINful' Approach to Poverty Reduction?

1. Earlier versions of sections of this chapter were published in Carroll 2009c.
2. Interestingly, as we will see in the case study below, this tension sometimes exists within the Bank itself.
3. Also in Kagia's edited book, Angus Deaton (Professor of International Affairs and Economics at Princeton) 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 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. (Deaton 2005: 151–2)

4. 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, Jakarta, 8 December 2005).
5. In this regard, Tania Li (2006: 1) has described the World Bank's social development team in Jakarta as 'pioneers in turning concepts into a program of intervention.'
6. The 'New Order' is the term given to former Indonesian President Suharto's three decades of rule.
7. Tania Li's paper on the KDP draws upon Foucault's notion of 'government'. Her analysis has many synergies with this chapter, however, the approach here differs somewhat in that KDP is seen as one example of the evolution and reproduction of neoliberalism more generally towards the realisation of 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 on historical materialist approaches than Foucauldian approaches.
8. Its key goals are stated as being to alleviate poverty, to strengthen local government and community institutions and to improve good governance (Ministry of Home Affairs – Indonesia – Community Development Agency, KDP National Secretariat and National Management Consultants, n.d.: 16).
9. One of the Bank's senior poverty specialists in Indonesia remarked in an interview that 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, Jakarta, 8 December 2005).

10. Between 2001 and 2003 the project accounted for over half the Bank's lending in Indonesia (Guggenheim 2004a: 6).
11. This point was also made to me by several Bank staff in the social development unit.
12. The targeting of the *kecamatan* level is explained below.
13. 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 ((Guggenheim, Wiranto, Prasta and Wong 2004: 7–8).
14. In an interview with staff 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 could not be reached, they often do not need to do anything (Interview, Jakarta, 13 December 2006).
15. 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.
16. It is officially 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.
17. The KDP II manual actually specifies that three VFs (or village facilitators) are chosen at the village level (from village members) – two 'empowerment VFs and one 'as a technical cadre' (World Bank 2004d: 7, 12).
18. The Bank commitments, in US dollars, in the budgets for KDP I, II and III (including IIIB and KDP III 'second phase') are as follows: KDP I, $273 million; KDP II, $320.2 million; KDP III, $249.8 million; KDP IIIB, $160 million; KDP III (second phase), $123 million. Further to this, KDP's 'second wind' in the form of PNPM (both its rural and urban variants) has seen a massive increase in Bank approvals, taking the combined Bank commitments of the related programmes to nearly US$2.9 billion.
19. In an interview in 2005, the then project team leader stated to me that he was comfortable with KDP's relationship to neoliberalism, noting that he saw the project as an example of being able to pursue progressive aims within the neoliberal paradigm (Interview, Jakarta, 15 December 2005).
20. KDP's former team leader 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, Jakarta, 15 December 2005).
21. Interestingly, Scott Guggenheim, KDP's former team leader, 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. More than willing to highlight the problems of a particular project as well as its benefits, he frankly stated

'The three cases [programmes 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 had not been established 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 (Guggenheim 2004b). 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) (Guggenheim, Wiranto, Prasta and Wong 2004).

22. For example, a member of the World Bank's SDU in Jakarta emphasised to me that Guggenheim – such a central figure in the KDP story – was more concerned with governance and its relationship to democracy than its relationship with the market (Interview, Jakarta, 18 April 2005).
23. Part of this, of course, could be associated with the need for social development staff in the Bank to be politically savvy when officially describing a particular project. However, the fact that this is required is in itself is important, as the section on social capital below demonstrates.
24. 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 2004a: 15).
25. Guggenheim also notes in his *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 2004a: 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 (Interview, Jakarta, 18 April 2005).
26. In an interview with a member of LP3ES (an NGO based in Jakarta which produces reports for the Ministry of Home Affairs that analyse KDP's coverage in the media) this media monitoring is emphasised as vital. The person offers that the system is successful and unique, although he also makes it clear that there are not enough journalists to do the work. This said, KDP is seen by this interviewee as 'spectacular' compared with other projects – being better for the poor (Interview, Jakarta, 13 December 2005; See also Guggenheim 2004a: 5).
27. Transparency International (2005) ranked Indonesia 137 (out of 158 countries) in its corruption-perceptions index in 2005. See also Mallaby (2004) and Hiebert and McBeth (2004).
28. Vedi Hadiz notes that the World Bank and other development organisations have invested substantially in decentralisation. Referring to a Bank published document, Hadiz (2004: 706) quotes a figure for the number of completed Bank projects effectively supporting decentralisation (for the period between 1993 and 1997) of 12 per cent.

29. In 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, Jakarta, 8 December 2005). 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, Jakarta, 15 December 2005; Davis 2004: 13).
30. 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' (Guggenheim 2004a: 13).
31. The amounts of money involved were too small to generate significant resistance to KDP from the Department (Interview, Jakarta, 15 December 2005).
32. A note should also be made about NGOs and KDP. What is interesting here is that generally the KDP receives very little flak from NGOs that might normally be antagonistic to a World Bank project – especially a large expensive one like KDP. According to KDP's former team leader, NGOs are essentially 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 in on big dams and highways – picking on a community project [isn't a high priority]. (Interview, Jakarta, December 15, 2005).

Conclusion

1. 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 (Goodman 2007a: A01; Goodman 2007b: A01).
2. See chapter 1.

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