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THE ELEPHANT IN THE ROOM:
POLITICS AND THE DEVELOPMENT PROBLEM

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POLICY MONOGRAPH

Conclusion –Where to now?

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Where to Now?

While the DOC initiative appeared to signal a new era in development policy thinking, translating an understanding of political economy into practical policy has proven difficult, as we note in chapter three. As Sue Unsworth argues, the World Bank's strategy for engagement on governance and corruption, for example (World Bank 2007), " … contains no diagnosis of the underlying causes of weak governance, and hence no recognition of the scale of the challenges or the processes involved in creating more effective public authority" (Unsworth 2009: 885) . As we shall argue, the Bank has continued to regard insights into politics as essentially a means to better target institutional incentives and achieve behavioural change in key groups. Nor has the analysis of politics transformed the broad approach of DFID. Unsworth also notes that the British Government's White Paper (DFID 2006), advances a " … technocratic and largely conventional agenda for enhancing growth and improving basic services, with barely a nod in the direction of politics." ((Unsworth 2009: 889). On the one hand, it is true to say that recognition that politics is important has not led to new ways of understanding the problems of development so much as to new means of making old paradigms work better. At the same time, there have been important efforts, especially in the research agencies of development banks and organisations to grapple seriously with the problem of translating knowledge into practice.

Models for the way forward

One way out of the dilemma is simply to attempt to ignore or override the problem of politics. A second path has seen policy-makers seriously address the issue.

Forget engagement with politics.

1. The Neo-Conservative Solution: creative destruction

Perhaps the most important and dramatic revision of existing strategies of influencing change was that initiated by neo-conservatives in the Bush Presidency. They clearly recognised the

limits to protecting markets by supporting dubious regimes and enforcing change through institutional reform and took the view that market-based reforms at both the economic and political level require nothing less than the elimination of entrenched ruling groups and their entire edifice of institutions and authority, if necessary by pre-emptive military strikes (see Mallaby 2002; Cooper 2002). The case of Iraq represents the quintessential insight into this thinking where the destruction of the Baathist government and its political apparatus created a seeming *tabula rasa* into which market-based economic policies could be introduced at will by the Head of the Coalition Provisional Authority, L. Paul Bremer. These policies included provisions that are the dreams of neo-liberal reformers even within the established heartlands of market orthodoxy, among them a flat tax-rate of fifteen percent grafted onto plans for extensive institutional reform in the bureaucracy and in the political sphere, including a framework of democratic institutions (Peck 2004: 392; Tabb 2006). It seemed that nothing could go wrong.

There are obvious reasons why the neo-conservative solution of enforced development by means of war has its limits. But the neo-conservative experiment has some important political economy lessons. It has shown that the elimination of specific regimes is not in itself enough to guarantee the effective implementation and embedding of the sort of market and institutional reforms envisaged by neo-liberal reformers. What is missing in this prescription is a cohesive political force able to mobilise substantial social support on behalf of a wider programme for the reordering of power and the reconstruction of institutions towards a market society. Here, the neo-liberal and neo-conservative reformers confront serious dilemmas. The genuinely progressive forces that might be able to drive reform are usually the very 'distributional coalitions' that act on behalf of collective social demands in welfare, human rights or environmental reform and critics of the market and the interests it often supports. In any case, progressive middle class movements and social democratic or liberal political parties, from Mossadeq in Iran in the 1950s, have often already been eliminated or weakened by entrenched regimes. At the same time, the cliques of businessmen and politicians that have often been favoured as the political spearhead of reform in post-crisis societies are invariably without any serious social base or political support. The disastrous experiment with the disgraced businessman, Chalabi and his colleagues in Iraq is only one of many similar examples (Khalaf and Fidler, 2002). More recently, the attachment to Mohamed Kharzai in Afghanistan continues the tradition.

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2. The Millennium Challenge Account: Pre-emptive Selectivity

By contrast, the central approach of the Millennium Challenge Account proposed to overcome indifference or resistance by self-interested elites to 'good governance' and 'good policy' by simply excluding countries from development assistance where specified institutional and policy frameworks were not already in place. The selectivity approach of the MCA seemed simple enough: US development assistance would only be made available to countries where elites had the political will and capacity to put in place specified institutional and policy reforms that supported markets. For Chhotray and Hulme, 'MCA thus, is a tool for "pre-emptive" development, which does the reverse of imposing conditionalities, that is, it withholds funds until all demands for meeting neo-liberal goals (promoting economic freedom and the rest) are met, largely through quantitative forms of measurement' (Chhotray and Hulme 2009: 39-40). However, as Hout (this volume) points out, there are real limits to simply withdrawing from support of various regimes even where they are serial exponents of corrupt and repressive forms of rule. The threat of spreading disorder and the abandonment of populations to accelerating poverty as well as potentially disturbing the geo-political order inhibit governments and aid agencies in the West from declaring governance and institutional programmes defunct (Holman 2006).

3. Making do with what is there: supping with the devil

It is clear that the benign liberal evolution expected by many in the West has not taken place. As we have seen in chapter two, in Africa, highly predatory and repressive regimes survive even in the ongoing condition of chronic economic decay and spreading poverty. In Asia, even the shocks of the Asian Economic Crisis and the efforts by the World Bank and the IMF to impose reforms on beleaguered governments as they sought bailouts and rescues has failed to radically transform the governance and political regimes of the region. Even in Indonesia, where democratic transformation took place, the same oligarchies and power relations continue to prevail. In any case, such regimes are now protected from the kind of assaults on currencies that precipitated the Asian financial crisis in the late 1990s where they possess large foreign reserves and, increasingly, substantial sovereign funds able to influence investment decisions even in the West itself. What are the options for development reformers? One is to provide intensive inputs of development assistance and policy reform and let the by-products of institutional reforms and a progressive middle class hopefully take care of themselves. This is the thinking that underpinned the 'shock therapy' introduced into

Eastern Europe, as we have seen. And it appears to inform much of the thinking behind the UN Millennium Project (Sachs 2005).

For others, these regimes represent different and historically entrenched institutional pathways within which market capitalism itself must be accommodated (Zysman 1994). Some economists remain convinced that 'good governance' and efficient market institutions are not so essential to the consolidation of markets in the early stages at least (Rodrik 2003). There is some recognition that even neo-patrimonial forms of governance can possess utility in entrenching market economies in developing countries and even, ironically, in lubricating markets in the US itself (Brinkerhof and Goldstein 2005). And there is some acceptance of the idea that even the worst of regimes from the viewpoint of good governance and economic efficiency may indeed be highly functional, at least to the most powerful political and economic interests in the country and therefore derive considerable resilience from this (Chabal and Delos, 1999). Thus, development organisations have fluctuated between bypassing governments to deal with the grass roots via PRSPs and dealing directly with governments.

Engage with the Problem of Politics

a) The World Bank Agenda: Manipulating Politics by Building Better and Cleverer Institutions

In the World Bank, the idea that development and markets themselves might be driven by conflicts over power and its distribution has been anathema in this beehive of rational choice approaches and methodological individualist assumptions. However, it has also been argued in the neo-liberal camp that pressure for reform might be applied on recalcitrant governments by civil societies within the developing countries themselves. There was no shortage of moral exhortation from within the neo-liberal camp for citizens to take the lead. There should be a, "better public understanding of the appropriate role of government" (Duncan and McLeod 2007: 91), or more good-will or common sense that emphasised the critical role of leadership in persuading citizens and subjects to have 'correct – that is, realistic and empirically-grounded – beliefs and expectations' and convincing officials to be honest and citizens to trust legal systems and governments (Levi 2006: 12). How would this happen? Are we talking about the old modernisation ideas where the West supplied modern culture, values

and norms? For the World Bank, such transformations could be achieved via good institutional design aimed at providing incentives and opportunities.

Perhaps the most comprehensive attempt at political economy analysis by the World Bank has been that of Fritz, Kaiser and Levy (2009). In this study, the authors suggest ways that a study of political economy might enable more efficient design of institutions. The idea of political economy is focused around collections of individuals and organised groups such as the military, political parties, business associations or NGOs. These are divided into 'demand-side' and 'supply-side stakeholders', or 'reform champions and 'reform opponents' or winners, neutrals, and losers' (Fritz, Kaiser and Levy (2009: 47). They act on behalf of multiple, shifting and overlapping interests. The problem is to design institutions that will motivate one party (agents) to act on behalf of another (principals), especially to enable citizens to motivate politicians to act in the collective interest rather than their own self-interest or elected officials to motivate bureaucrats to implement policies and provide services (Fritz, Kaiser and Levy (2009: 51).

Thus, institutions can be designed to influence the 'gatekeepers', 'veto players' and 'selectorates' identified by political economy analysis in a kind of game theoretic exercise. In other words, this is an idea of political economy based on the presumption of voluntary exchanges between rational, utility-maximizing individuals and where there is no system of overarching power relations. It continues the basic principles of public choice political economy, urging only better institutional design through a more careful analysis of the agents, principals and other players in the game as we have noted in chapter four (see also World Bank 2003).

In practical terms there are also advantages in trying to influence reform by means of institutional engineering and governance, social contracts and new forms of citizenship and participation. These avoid the difficulties of directly dealing with potentially incendiary issues of power, especially in cases where corruption, social injustice and repression are essential elements in the way political allies sustain their authority. The focus on social capital and partnerships expresses a pluralist construction of citizens' demand making. For officials in development agencies, programmes of governance and institution building make it easy to allocate funds and report outcomes where these focus on the processes of design and delivery. Nor is it any exaggeration to say that a vast and growing army of consultants

have also been the beneficiaries of trends to outsource policy and devise and measure technical fixes to complex economic and social problems. Governance is a highly lucrative industry for them (Hamilton-Hart 2006).

b) Is there a Future for the DOC?- attempts to address politics by directly engaging with elites and or civil society.

i)   Incentives are advocated to support the DOC objectives although not in the way institutional engineering is used by the World Bank to change behaviour. Unsworth and other advocate ways where incentives can be applied by policy actions, including those between politicians and potential investors (Unsworth 2009 and Williams et al. 2009). For example, Unsworth points to the way market leverage has been applied in the forestry sector in efforts to eliminate illegal logging and to support the rights of forest communities (Unsworth 2009: 888). Perhaps the most widely discussed incentives approach concerns the issue of taxation and the proposition that governments will be more accountable and responsive where they rely on domestic sources for their revenues rather than on windfalls from resources booms and foreign aid flows (see, Moore 2001, Moore and Unsworth 2006). Progressive withdrawal from aid in favour of targeted assistance in building tax collecting capacity would constitute potentially important incentives. Of course, the question here is the extent to which those who can be forced into paying tax have the power to influence the government and whether the increasing number of governments, especially those in in Africa, that now have access to resource rents, would be interested in developing domestic revenues.

ii) David Booth and colleagues have sought to extend the DOC framework through '[a]ssessment of the room to manoeuvre or scope for different outcomes created by dynamic aspects of the change process' (Booth and Golooba-Mutebi 2009: v). Influenced by the work of Merilee Grindle, they point to the' need to devote deliberate attention to the otherwise unexplained scope for change 'against the odds' and to the factors that operate within that space' (Booth and Golooba-Mutebi 2009: v)[i].

iii) The Leadership Program explores 'the role of human agency – specifically leadership, elites and coalitions – in the process of institution and state building' (Land 2010: 1). Critically, these are to be 'understood *politically*' (de Ver 2008: 1). The Leaders, Elites & Coalitions Research Programme (LECRP) has sought to understand the role of

leadership in 'shaping institutions, state building and development outcomes' (Leftwich 2009: 1). Commenced in 2007, the first phase of the program to mid-2009 was housed within the World Bank, but since then it has been under the wing of AusAID. Intending to focus attention on agency and strategy, the concern is with leadership as political processes in particular contexts, rather than with the traits or behaviours of particular individuals as leaders (ibid). In this sense therefore, leadership is not treated 'as a free-standing virtue' but as involving the establishment and maintenance of coalitions and institutions for particular collective purposes (Leftwich 2009: 7). However, as applied to advancing donors' agendas' it is inevitable that "development" is understood in 'intentional' terms, as an outcome of political *decision making* if not exactly planning. It is more possible to talk of development in these terms if we focus on the outcomes from particular projects or even programs of donors, it becomes less possible when we look at development as a process of structural transformation. Viewed in this second way, there are clearly larger questions about the nature of development to be answered.

iv) 'Building demand from below'. The question is how to put pressure on elites to adopt specific reform agendas, including governance reforms. This involves, ' … increasing the ability of citizens to participate in decisions that affect their lives, to influence how development challenges are met and to hold governments or other institutions to account.' (AUSAID 2007a: 1). The idea is generally that this can be done by means of institutional reform, including opening opportunities for greater participation and accountability in governance (World Bank, see also OECD DAC 2005: 35).

Within the OECD there have been suggestion of direct involvement in strengthening 'change agents' within the government, civil society, bureaucracy or academia – in other words, western-oriented middle classes and business – that may support technocrats (Development Assistance Committee 2001: 12). At another level, development agencies began to address more direct ways of cultivating and strengthening reform-minded organisations and interests as potential partners in reform coalitions. This often meant little more than greater collaboration between aid agencies and NGOs and increased flow of aid funds to the latter. But there have also been more ambitious ideas for achieving a broader mobilisation and organisation of potential reformist allies. In part these were aimed at providing citizens with, ' … information about how government works, what to expect, and how to hold governments accountable.' (AUSAID 2007a: 2). Elsewhere, more direct engagement is proposed, both

with institutions that mediate state-society relationships – parliaments and electoral systems – and to support and strengthen civil society organisations, including churches, the media, research organisations and 'reform agents' within both the public and private sectors (AUSAID 2007a: 4).

Lessons from Structural Political Economy: Implications from the Case Studies

Given the above attempts to better engage with politics, what is the niche or gap that our studies fill?

At a general level, structural approaches to political economy raise the question of whether policy-makers are at the mercy of the structural constraints and processes involved in the construction of social power and state authority. Is there any room for intervention that can change things? Obviously there are. Some institutional reforms have an important impact because they satisfy a preference for reform that has political weight. Economic crises or the sudden injection of huge amounts of money into an economy, for example, have the potential to change things and disrupt the existing organisation of power and influence in society and politics. The point is whether this is going to weaken predatory regimes and strengthen reformist coalitions and what control is exerted by outside forces over the direction of change? Are attempts to support change agents going to be successful, even where they take into account reform leaders need coalitions and organisations to support them (Leftwitch 2009). The important point is that these are political questions. It is important to ask why reformist sympathisers have not already seized and exerted power and why specific regimes remain entrenched even in cases where they preside over unhappy populations and derelict economies. In some cases, attempts to bring (the right sort of) agency back into the equation will fail. Elsewhere they may be more realistic. Structural political economy provides the tools to assess this in a way that no other political economy does.

At a more practical level, while it is true that structural understandings of power and society point to the limits of policy and institutional fixes for complex problems and suggest that there are preconditions for reform that are often beyond the control of development agencies and donor countries, one negative benefit of this approach is knowing what not to do. This can be more important than appears. For example, an appreciation of structural political economy will make it fairly easy to predict where the disbursement of funds or use of

property rights – including over land and forestry – as a means of solving various development problems will simply be expropriated to concentrate inequalities and support vested interests. In these cases a decision not to proceed can be the best one. Or highly engineered processes for the allocation and operation of these rights may be designed.

Some of the more specific conclusions form the case studies are as follows:

1) we consider how 'donors can better know how their programs are interpreted by recipients, how this affects their alliances (or not) and, accordingly, how formal and informal shifts in alliances can strengthen or weaken different ideological perspectives, over short and long terms' (Hughes and Hutchison, this volume). This is done also with an understanding of change dynamics.

2) we focus on issues around donors' engagement with civil society actors. One point arising is that if donors are to be more politically engaged then they will need to give ground on their own agendas and recognise the ways in which development objectives are framed differently on the ground, often as a result of particular enduring struggles.

The Cambodian Case

The Demand For Good Governance programme in Cambodia represents a good example of a programme designed to meet the needs of donor politics rather than tailored to fit the needs of the target country. The programme served a number of purposes for the World Bank, including a concern to bolster the Bank's reputation amongst Cambodian NGOs which had vocally criticised the Bank's land, forestry and demobilization programmes; and a concern to promote the DFGG model which had been successfully deployed elsewhere. Consequently reservations expressed by staff members with local knowledge were overridden in the concern to get the programme off the ground. The significance of these kinds of imperatives are widely recognised within the aid industry, but until now they have not been factored into political economy analyses in a sophisticated way.

Just as aid organisations design aid programmes with regard to unstated as well as stated goals, so too do local partners participate in them on the same basis. Our model of dedicated and tactical alliances suggests an initial vocabulary for distinguishing between different types of reformer, based upon whether their goals are primarily about the nature of reform itself, or about the building of political alliances. Recognition that investment in tactically useful relationships may be a goal in itself represents a recognition that alliances for reform are

continually negotiated and renegotiated and that this in itself requires deployment of resources and effort on the part of all development partners.

Recognition, not only that a tactical element exists for all organizations and actors involved in aid programming, but that this tactical element is a significant and important part of the development process, represents a starting point for moving away for a model of 'success' and 'failure' in terms of stated development outcomes, and towards a model of engagement that regards the maintenance of political alliances as useful in itself. However, the analysis we present also warns against regarding such political alliances as a vehicle for achieving reform in the short term. As the US experience in promoting the Clean Hands Campaign in Phnom Penh shows, simply backing a weak alliance against a powerful elite with a strong interest in preventing certain types of reform can be counter-productive.

The Cambodian experience across a range of fields of development programming suggests that international interventions are continually turned to the advantage of a predatory elite in its apparently unstoppable consolidation of power. A structuralist analysis suggests that fundamental change is in any case only possible in times of crisis, when the investment in particular alliances and the propagation of particular ideas can suddenly provide an opportunity to influence events. This implies that development agencies dealing with governance need to rethink their understanding of reform: genuine reform can only occur when ruling elites are severely weakened and seeking new ways of boosting legitimacy, or when new social forces are contending with established political alliances for power. Consequently, institutional reforms, of the kind that governance programmes have focused upon, are inevitably going to be either blocked or co-opted unless they are promoted in times of crisis. Structuralist approaches thus locate change within time frames that are far longer than most donor programmes will admit. Attempts to wedge political economy analyses into short time frames, that align with the budgetary cycles and staff deployment cycles of donor agencies, have entailed a superficial engagement with the idea of structural change. Taking political economy seriously requires recognising that the short term reform efforts that characterise most donor programmes are contained within the contingencies of political negotiations between interested alliances of actors, rather than transforming these. The Cambodia case described here shows how reform programmes can be established with the mutual agreement of a variety of partners, despite lack of agreement on the desirability of

change. For the Ministry of Interior it represents a way of enlisting the World Bank and NGOs in the delicate business of supervising newly elected subnational councils with newly devolved powers, and ensuring that the process of de-concentration of power not only effectively mobilizes the voters to greater election winning effect, but does not upset the hierarchies of loyalty and patronage that characterise Cambodian People's Party Control. For NGOs it represents a way of networking internationally with social accountability groups and developing a relationship with a powerful donor that could help them in the future. Even for the local World Bank office, there is doubt over the achievability of the programme's reform goals, but awareness that the programme could help the Bank build better relations with NGOs who have been critical of the Bank's past interventions in forestry and land titling. Temporary and tactical motives – an interest in new modes of political mobilization on the part of the Cambodian government; a concern to invest in relations with the World Bank on the part of NGOs – can allow a programme to get off the ground with no real belief or intention that its reform goals will be met.

Moreover, taking structuralist analysis seriously suggests that the instutionalisation of reform processes *cannot* of its self generate progressive outcomes, since the functioning of institutions is determined by political struggles within society. From a structuralist perspective, therefore, it is unsurprising that donor programmes of institution building are harnessed by existing or rising elites, rather than unseating them. World Bank programmes targeting natural resource distribution in Cambodia offer a good example of this. Forestry programmes intended to ensure good governance of natural resources were far less important in determining distributions of wealth from forest resources than the fact of the integration of Cambodia into regional and global timber markets. Once the latter was accomplished, elites within Cambodia competed for control of the profits from these, and used those profits to further strengthen their position within the political regime. A similar phenomenon was observable in the land sector. A World Bank programme designed to provide equal access to land titles for rich and poor was undermined by the impossibility of the programme's institutions operating impartially in areas such as the capital city where land values were very high and the target of elite struggles. The World Bank decided to avoid implementing its project in these areas, and attracted significant criticism from NGOs representing evicted families, who pointed out in failing to tackle that section of the poor most at risk of dispossession, the Bank's programme resembled the emperor with no clothes.

In the short term, donor agencies are better advised to focus not on achieving fundamental transformations in the nature of power, but in understanding and developing a language for discussing it with local actors. Taking this approach suggests that the DFGG programme will be of greatest use, both to the Bank, would-be reformers in the Ministry of Interior, and the NGOs that have trained through the PECSA programme, if its goals remain, in fact, rather vague, and if the focus of the programme is upon developing relationships rather than achieving particular results.

The need to develop a common language for discussing questions of governance is pressing. As the DFGG programme shows, mistranslations or the transposition of donor terminology into quite different ideological frameworks can significantly change the import of reform programmes. The DFGG programme also shows how such mistranslations can be convenient to aid agencies whose ulterior motive is not reform per se but the building of new relationships. The DFGG programme, and the case of Cambodia more generally, also demonstrates how time consuming and expensive, in terms of resources, the doublespeak associated with governance reform can be. Both government and NGOs in Cambodia devote considerable time and resources to developing cadres of officials who have the language skills and training to be able to converse and report in a language that is familiar and convenient for donors. However, there is little evidence that either government or NGOs have developed a capacity to translate this meaningfully into a conversation with the Cambodian population. On the contrary, the narrative of reform and development which Cambodian government officials and NGO workers use in their relations with poor villagers connects poorly, if at all, with the narrative that is sustained in Phnom Penh when conversing with donors. This puts a great deal of pressure on individuals caught in the middle, in trying to maintain a coherent sense of their own role. It also has the effect of professionalising reform activists and distancing them from the average citizen, an effect that has been noted in a number of studies of the NGO-ization of social movements emerging in the fields of fishery and land disputes in Cambodia.

Analysis of the DFGG programme illustrates two aspects of this. The first relates to the relationship between donors and government. The analysis presented here suggests that the agreement between the World Bank and the Ministry of Interior on the establishment of the programme rests upon a mutually convenient mistranslation of its aims. For the Ministry of

Interior, reform is focused upon mobilizing wider participation and using NGOs and villagers trained in social accountability techniques as a means to manage a complex and politically risky process of deconcentration of state power away from central ministries to provincial and district levels. Contrary to liberal assumptions, all available evidence suggests that the Ministry of Interior conceptualises this as reform designed to renew and further strengthen the legitimacy of CPP dominance, rather than as a way of opening up political competition within local government. This embeds a particular model of development which is in many ways antithetical to either liberal politics or liberal economics, as described in chapter x above.

Given the trajectory of Cambodia's development since 1979, and the lack of success of Western donors in imposing liberal models via funding for armed insurgency in the 1980s, a complex peace-keeping operation in the early 1990s, and subsequent efforts at statebuilding and support for civil society, it is unrealistic to expect that these attitudes within the Ministry of Interior could possibly be reformed via manipulation of aid mechanisms. The way in which Cambodia has integrated into the regional and global economy since the early 1990s has strengthened, rather than weakening, these tendencies in Cambodian politics. Donors are increasingly recognising this: the implication is that engagement in governance in Cambodia implies relinquishing the rather hopeless goal of achieving reform within a time frame of a few years, and investing instead in developing a body of knowledge about the nature of the Cambodian government. Agencies such as the World Bank tend to be staffed by a mixture of career officials from head office, who move from country to country and do not build up a body of local knowledge; contract staff employed for their country expertise, but in subordinate and temporary positions; and local staff, who are usually selected for their knowledge of international development models. This hierarchy entails that much World Bank programming entails eliciting such information about the local context as is necessary to facilitate the roll-out of international programmes, rather than using local knowledge to set the agenda for reform.

Shifting emphasis away from returns on the aid dollar and towards a 'knowledge' model where aid agencies build up specialist country teams and develop country-specific vocabularies for engaging in negotiations on the nature of reform and development would appear to be a prerequisite for an approach informed by political economy. This implies openness on the part of aid agencies to not only the conceptualization of reform, but also the

operational hierarchies within agencies, and the nature of the aid bureaucrat's career and function. Replacing the generalist familiar with standardized templates for aid programming with a specialist prepared to learn local languages and spend years in-country establishing relationships with local political players is a prerequisite for an approach that puts politics at the centre of development. Such an approach could give substance to the claims of 'partnership' that are currently popular in development thinking. Our analysis suggests further that taking this approach seriously requires some political commitment to particular social forces or alliances. The technocratic approach has allowed avoidance of such political commitments on the basis that certain policies are objectively correct, regardless of who implements them. The political economy approach suggests that relationships be elevated over policies, and that local knowledge and priorities be allowed to influence aid programming: this implies a shift to a solidarity model of decision-making for aid agencies, a principled commitment to support for particular groups and for the preservation of particular types of political space in which local political struggles can play out, even in situations where it is acknowledged that such an approach is unlikely to result in short term 'success' in achieving reform.

Where to on slums in Metro Manila?

The case study of the ADB's slum eradication program in Metro Manila shows how attempts to "incentivise" public officials to undertake pro-poor reforms will prove inadequate if they do not directly address how these officials interpret what is proposed and how this connects to their structural interests and alliances. The program's incentives assume that LGUs are predisposed to meet their service obligations, so long as they are provided with appropriate know-how and resources. But, as the study shows, local government officials have rather different visions and plans for urban development and socialised housing. Nevertheless, slums are not merely a physical consequence of material poverty. They are in fact the product of social and political relationships that – especially in a capital city like Metro Manila – extend from local to national levels, through linkages variously created by institutional requirements, electoral cycles, ideological commitments, and/or collective organising. These relationships have reproduced inequalities, but as well, under certain conditions, they have delivered concessions to the urban poor – occasionally in the form of national programs, legislation and new modes of representation (Hutchison 2007), but more often more through site-specific political deals and/or standoffs.

There are three points worth making about concessions. One is that they are forced and therefore require further pressure and effort to secure implementation and compliance. Another is that concessions are as much directed at placating and/or containing pro-poor protest as they are at delivering on the substance of pro-poor demands. Finally, because concessions are forced they do not come at any time, they are generally linked to other pressures or openings in prevailing power relationships which are created by (to cite some examples) electoral conditions, infrastructure developments, donor funding and/or supportive alliances.

One urban poor activist suggests that the ADB should be looking to 'do deals with the mayors' because this is 'the only way to get them on side' (Interview 2006). Critically, deals are not incentives. The incentives approach seeks behavioural change so it has to hope that opponents' motivations and interests are essentially malleable. By contrast, the move to make deals accepts that interests are relatively enduring and not likely to change; nevertheless, deals are possible if opposing sides have appropriate bargaining strengths. (Concessions tend to follow when inequalities are greater.) In other words, from deals it is possible to achieve "tactical" rather than "dedicated" support for reform. They do not deliver a fundamental change in power relations, but do provide a way to negotiate politically. It is not clear what deals international donors might be actually willing and able to make, but it most likely they will need to be coordinated between donors, in the case of slums, perhaps through the Cities Alliance. That said, it is unlikely that deals can be done without further domestic political pressures.

What are the prospects for building a reform constituency among Metro Manila's urban poor? If the reform is the ADB program itself, the answer is 'little'. This is because, despite the program embodying real attempts to ensure compliance with legislation that was an outcome of urban poor advocacy, it is clear there is little or no effective "demand from below" for it in its present form. This is not because the urban poor's shelter needs are not great; instead it is that that there just has not been the support forthcoming for the ADB's proposed solutions. The informal settler communities targeted early in the program have declined to sign up to the shelter arrangements on offer because they consider them to be unaffordable. On the whole, communities have demonstrated greater support for measures to increase land tenure security, without the inclusion of purpose-built housing. For one, a

concern about purpose-build housing is that it is too inflexible because it is not possible to build-on to accommodate additional family members and/or renters. More particularly, there is often significant reluctance to taking on (more) debt. Widely couched negatively, as the urban poor thus seeking to avoid their responsibilities, this reluctance can also be seen to indicate household preferences for a range of shelter and livelihood strategies – a number of which neo-liberal efforts to bring poor households into formal land and financial markets will foreclose.

This is not to say that the mobilisation of pro-poor forces should be constrained by the present, but it does indicate where their priorities lie. The point is that urban poor protest is neither as continuous nor as formally organised around a city-scale set of demands as international donors' might prefer. On top of this, the politics of Metro Manila's slums is quite complex. There are identifiable individuals, organisations and alliances with histories of urban poor activism – and associated victories – but these do not cover the sum total of urban poor political engagement. It is worth pointing out, however, that urban poor protest is generally not particularly driven by ideology, at least not in the sense of adherence to defined manifestos or parties. Critics have portrayed the urban poor consequently as 'political clients', but it is important to stress this misconstrues the nature and form of their demand-making – both the extent to which it is oriented to real outcomes and is far more confrontational than patron-client models portray. On the whole, urban poor NGOs themselves are "pragmatists" rather than "idealists" – that is they have long term goals of social transformation but also regard short term gains as significant (see Hughes and Hutchison, this volume). This means that they are open to engagement with international donors, although not always in ways that donors have previously tried. For example, NGOs have sought alliances with more powerful others – for example the Catholic Church – at least partly to provide a greater level of protection from harassment and violence.

If donors are to seek to engage with "demands from below" they will need to do so from the vantage point of how power works on the ground. The "power cube" approach is one. To quote Gaventa: 'In this approach, I argued, power must be understood in relation to how spaces for engagement are created, the levels of power (from local to global), as well as different forms of power across them. By applying such analysis, I argued, we could begin to assess the possibilities of transformative action in new democratic spaces, and how transformative possibilities of citizen action might be enlarged.' (Gaventa 2005: 6):

Attention to the *spaces* – 'opportunities, moments and channels' (Gaventa 2005: 11) – for change suggest a way forward that incorporates structural political economy, more than a focus on the *agents* of change.

The Urban Informal Sector in Jakarta, Indonesia.

Centeno and Portes have argued that "the relationship between the state and civil society defines the character of informality and this relationship is in constant flux", adding "the changing geometry of formal/informal economic activities follows the contours delineated by past history and the character of state authority" (Centeno and Portes 2006: 32). Applying this proposition to the case of the urban informal sector in Jakarta, the hostile approach adopted by the Jakarta administration suggests that authoritarian and centralist tendencies remain well entrenched, despite the introduction of minimal participatory channels and informal recognition of the sectors importance to the economic and social wellbeing of the city. The protection racket type mentality institutionalized during the New Order still prevails, which sees the informal sector as economic transactions 'where the state neither provides protection nor receives a cut', making conflict all but inevitable. At the same time the regulatory capacity of the state is limited: it is neither able to exert a monopoly over territory by effectively controlling the presence of the UIS, ameliorate the conditions producing its expansion nor, when intent is present, regulate and mediate the interests of private capital by shaping the direction of urban development in ways accommodative of UIS activity and the poor more generally.

One fundamental problem that continues to inhibit the development of effective management and incorporation of the UIS in Jakarta is the persistence amongst political elites of static ideas regarding urban development itself. From Sukarno's vision of Jakarta as a 'city of greatness' to former governor Ali Sadikin's notion of a 'modern metropolis' devoid of "non modern elements" such as *becak* rickshaws and Sutiyoso's Singapore inspired criminalization of 'disorderly' street life, successive political leaders have remained fixated upon what Kusno refers to as 'nationalist urbanism'. Jakarta, as the nation's capital, must be seen to reflect national prestige and state power through appropriate forms of 'modern development', discipline and order, despite this being seemingly at odds with the social and economic needs and realities of a large percentage of the city's population. The result has been the emergence of two faces to Jakarta: relatively spacious arterial roads lined with luxury hotels, high-rise office buildings, shopping malls and elevated highways

(infrastructure reflective of the dominant class) which masks, displaces or simply passes over crowded shanty towns, poor *kampung* and traffic jammed side streets and alleyways, with the boundaries and spaces of intersection between the two a constantly shifting zone of conflict and contestation between state and society. As Rukmana has argued, "many of the problems associated with the informal sector are not attributes inherent to the informal sector but manifestations of unresponsive urban planning itself". In this particular image of Jakarta as a modern and orderly city the UIS have no legitimate place, out of place elements constituting an eyesore unbefitting a modern capital, the urban street transformed into a site of disturbance, disorder and criminality in the face of an ideal type 'development' increasingly shaped by the consumption patterns and lifestyle preferences of a growing upper middle-class. While faced with a very different socio-political environment to that of Ali Sadikin, including the Asian Economic Crisis induced 'forced entrepreneurship' of tens of thousands of Jakarta residents, including many from the middle-class, post New Order governors Sutiyoso and Fauzi Bowo have nonetheless continued his uncompromising approach in relation to the UIS despite holding, in principle, the legally mandated authority (such as via Regional Regulation No.5 1978) to designate it legitimate space in which to operate. More recently increasing public debate and frustration over the seemingly unsustainable nature of Jakarta's current development trajectories has led not to a fundamental rethink at top levels as to how better manage and govern urban space, but rather an 'escape plan' entailing moving the nation's capital elsewhere. These entrenched conceptualizations of the image of the city and its future development cannot be divorced from the particular configurations of interests that benefit from them. With a surplus of high-end department stores, shopping malls and luxury housing, Jakarta has reached a virtual saturation point of development shaped by the interests of private developers, property moguls and political elites, with the ever increasing numbers of UIS workers literally cramming into the cracks and shadows between these mega-projects.

Where to from here: recommendations

With these obstacles and constraints in mind, the following are a number of practical, strategic and conceptual recommendations that can be potentially considered by government, donors and civil society stakeholders to tackle some of the issues identified:

For government and donors:

1. The establishment of an Office of Street Traders Affairs (DINAS PKL) within the Jakarta administration whose central task is the development of strategies for finding equitable/integrative solutions for accommodating UIS workers. In order to be effective such an agency needs to cooperate closely with other relevant government bodies, such as Office of regional Planning and Development (Bappeda) and Satpol PP. The case of Solo offers an example of a successful precedent. A parliamentary commission into the UIS must also be a top priority.

2. It is crucial that the UIS is given a greater level of official and legal recognition as *the* statistically predominant economic sector from which Jakarta residents (also nationally) make a livelihood, including its importance to the stability of the formal sector. It is necessary for the administration and donors to re-think predominant conceptualizations of the UIS, and the nature of 'urban development' more broadly, embracing the sector as a productive and dynamic one rather than as a social problem or a 'formal sector in waiting'.

3. Greater enforcement of existing regulations which are accommodative of the UIS is required together tighter regulating of future development. Considering the huge drain on public resources created by its enforcement, a review of the socio-economic impact of the 2007 Public Order Law is required. This needs to be coupled with serious attempts to tackle corruption and abuses of power within enforcement and planning agencies, in particular the Satpol PP. The substantial financial resources allocated to Satpol PP could be reassigned to incentive and consultative based alternatives. This could include the creation of incentives for developers to incorporate space for the UIS.

4. A focus upon integrative and inclusive approaches to planning i.e. specified operating hours, street side expansions and a revised concept of Green Zoning which integrates with existing residential zones and informal economic activity. To be sustainable those affected must be meaningfully involved in the planning process. In this respect the example of Solo again offers a potential model to be adapted to Jakarta's particular conditions.

5. Further revisions to the participatory mechanisms of the Musrenbang process in order to facilitate greater grassroots and community based input. In particular there needs to be a consideration of ways by which representative decision making power can be allocated to civil society participants and community stakeholders, such as is found in the Local development Councils model adopted in the Philippines.

6. Accommodation and integration of the UIS into city planning should be seen as an integral element of broader poverty reduction strategies.

7. An expansion of 'rural growth poles' implemented by the national government, whereby jobs, housing and public services are provided in certain rural areas to reduce rates of rural-urban migration.

For NGOs, advocacy and sectoral groups

1. The dissemination of successful local strategies from fragments of activity into city wide strategic plans for more broad based lobbying of the Jakarta administration (and political parties and national government) via a coalition/strategic alliance of relevant NGOs and vendor associations, residents groups etc. Pressure needs to be applied to national government to turn informal acknowledgement of the UIS into concrete policy and action.

2. A multi-level advocacy approach at the highest and lowest levels of government simultaneously. This is both a local and a national issue, which will only continue to increase in the future without suitable sustainable policies.

3. Further engagement with existing participatory forums such as Musrenbang and local level politics, such as contesting neighbourhood unit positions such as RW and RT.

Notes

i Grindle (1991) observes that neoclassical political economy does not explain change and how it occurs, when it does. She recommends that we study "critical moments when change occurs, for such moments reveal essential political dynamics at work in a society" (Grindle, 1991: 63).

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This is a draft paper and some references may not be included at this stage

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