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POLITICS AND THE DEVELOPMENT PROBLEM

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Introduction

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There is little doubt that development policy is in the process of substantial reappraisal. It is increasingly recognised within the major development organisations and banks that problems of poverty, growth and governance are not so easily resolved simply by the introduction of markets or by policy or institutional reforms, including recent emphasis on the construction of 'good governance'. In particular, policy makers are struggling with the question of what to do with governments that appear to lack any political will to engage the reform process and are themselves resistant to attempts to introduce 'good governance'. They also confront indifference or even hostility to reform from less powerful elements of society that might be expected to embrace reforms aimed at eliminating corruption, political repression and incompetent governance.

One response to these is that institutional and policy reforms have not gone far enough or have been badly designed and sequenced. In particular, the World Bank has been concerned with the design of increasingly targeted institutional reform aimed at reshaping the behaviour of individuals. Increasingly though, more attention is being focused on the way broader political factors influence and constrain reform. Calls for a new political economy approach to development have emphasised the importance of understanding the architecture of economic and political power and how various interests attempt to shape the direction of change. Such an understanding, it is thought, might enable policies that can mobilise potentially progressive groups and interests behind the reform agenda. Such initiatives have been pioneered by the British Department for International Development (DFID) through it work on 'drivers of change' and by the Swedish International Development Agency (SIDA) with its focus on 'power analysis'. More recently the World Bank itself and the Australian Aid Agency (AusAID) have begun to look at ways of increasing the 'demand for governance' within civil society itself.

However, recognising that politics plays an important part in shaping and constraining the options for policy makers in the development field has proven much easier than accommodating or harnessing these processes in practical policy agendas. Increasing attention is being paid to the question of how and whether politics can be incorporated into the design of development policy. This study pulls this debate together and builds on it, introducing some new perspectives and questions. In particular, we ask two main questions: Does this awareness of political economy represent a genuinely new way of understanding politics and society and how conflicts over power influence the development process? Has political economy been successfully incorporated into new policy frameworks and opened the door to new ways of thinking about development policy? One central aspect of our study is that the development debate is not one between political economy approaches and those that emphasise market and institutional reform. Rather, we argue that institutional and policy approaches have always embodied implicit notions of politics and the real conflict is between different understandings of political economy and the nature of good policy, good institutions and good governance.

Most important, we bring to these attempts at using political economy a new way of looking at the problem. Rather than focusing on actors or even groups as the key aspects of the problem, our approach is focused on the networks and relationships within which they are situated and which define the allocation of power and wealth. Local policies and practices, and partner governments may be embedded in relationships of power that depend upon forms of governance different to those being proposed. For example, it may be pointless to try to mobilise peasant farmers within new forms of agrarian governance where they are beholden to specific elites for finance or land in a network of relationships that require opaque and corrupt forms of governance. To an important extent, the governance problem is therefore re-defined from one that addresses immediate aspects of efficiency, transparency and accountability in a generic sense towards one that addresses reorganisation of networks and relationships in the direction of reform.

This policy monograph is structured along the following lines.
Setting the scene for the study, **Wil Hout asks in the first chapter** how the major development agencies have attempted to construct political economy approaches to the development problem. He identifies three main models. These include the Drivers of Change Approach developed by DFID in the UK, the Strategic Governance and Corruption Analysis

of the Ministry of Development Cooperation in the Netherlands and the Problem Driven Governance and Political Economy Analysis of the World Bank. The central question is not only to specify how these approaches differ but whether they have really been the basis of new policy or an attempt to introduce new strategies into old paradigms. Thus, Hout looks at how political economy approaches have collided with or been reconciled with existing policy paradigms.

These themes are extended in **the second chapter** where Richard Robison seeks to identify different ways in which the problem of politics is understood and how these shape the practical strategic objectives of the major development agencies and banks. Three main models are identified. It is argued that the World Bank and most development agencies in the West see the political problem as one of domesticating the naturally predatory nature of politics within more rational forms of technical and managerial authority. A second and influential theme emerging from classical liberal traditions assumes a naturally vibrant and entrepreneurial civil society that requires its liberation from the constraints of centralised state power and vested interest, and favours the recruitment of progressive forces to support development agendas. A third view, drawing on the critical political tradition, proposes that the political resistance to open markets and governance often comes from governments and elites that are themselves the product of more intensive and global, economic and political relationships. This presents special problems for reformers as we shall see.

In Chapter Three it is proposed that the options of development policy-makers and practitioners must be understood in the context of dynamics at work in the donor countries themselves. It is argued that preferences for specific geo-political and investment outcomes and pressures to measure and report success in terms of quantitative assessments that relate to fiduciary objectives can collide with other development priorities.

How can the questions and issues raised in these first two chapters be used to understand how different development agendas work in practice? **In chapter four**, Caroline Hughes and Jane Hutchison examine the way policies are operationalized, specifically the way strategies of ownership and participation are diverted and transformed by the realities of power and interest. In particular, they build a way of understanding the real political nature of reformist alliances and their gatekeeping opponents.

At the core of this study, we investigate four case studies. These constitute chapters five, six, seven and eight**.** They include a study of the World Bank's Demand for Good Governance Programme in Cambodia (Hughes); the Asian Development Bank's programme for slum eradication and housing for the poor in Manila (Hutchison); Participatory Budgeting in Mataram (Mundayat, Hiariej); governance and the reform of the informal street economy in Jakarta (Wilson). These are designed to illustrate the operation of political economy in governance programmes. In each of the case studies we seek to identify the conditions under which local actors are able to form larger coalitions to influence national and international centres of authority. Each will assess the way larger networks and relationships of power inhibit or enable actors to construct broad reform coalitions. They will draw out larger implications for policy reform that emerge from this relational understanding of power.

Chapter eight looks at the question of 'where to now' in the context of the previous chapters and in relation to the various literatures now devoted to this question. Several main strategies are identified. Some strategies involve a withdrawal from attempts to engage with the political question. A. Neo-conservative programmes to remove recalcitrant and obstructive regimes. B. Neo-conservative programmes to refuse aid to regimes that do not achieve specific governance and policy pre-requisites. C. accepting the predatory nature of the local political economy and working within it. D avoiding projects that involve difficult issues like corruption or governance. Others seek to engage with the questions of politics in different ways. A. By targeting better designed institutions to specific areas of the political space and by outflanking governments and dealing directly with civil society at regional and local levels. B. By more direct engagement with civil society through leadership programmes and by mobilising progressive forces in society behind reformist development agendas. Most important, we ask what contributions structural or critical political economy perspectives might bring. This is done primarily by means of drawing out the lessons of the case studies and applying structural political economy analysis to these. We ask whether certain reforms have specific social and political pre-requisites that are beyond the reach of development strategies, and what the limits of policies of governance and institutional reform might be.

1. It's big, grey and has a trunk…: Donor agencies and the political economy of governance

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Introduction

During the 1990s, donor agencies started to realise that development policy involves more than adherence to macro-economic fundamentals, which had been the major precept of the Washington Consensus. The awareness that non-economic factors were important produced a wave of publications on the centrality of 'governance' and led to a focus on institutions.

Under the Post-Washington Consensus, the proper organisation of social and political life became the focal point in the thinking about governance and development; a reflection of this since the late 1990s was the increasing popularity of the term 'good governance'. Much of the governance literature – in particular the more policy-oriented work done by of the World Bank – was, however, grounded in an essentially depoliticised framework. The challenge for policy makers was defined, certainly in the case of the Bank, as "building institutions for markets". This concern was epitomised in the title of the 2002 edition of the Bank's flagship publication, the *Building Institutions for Markets: World Development Report* (World Bank, 2002).

Following the World Bank's approach to governance, many development agencies tended to orientate their governance programmes on relatively technical issues, such as public sector management, public finance and decentralisation. In their support of governance reform programmes, the agencies were preoccupied with the sequencing of reforms rather than with the concrete impacts that such reforms were having on the power relations in the countries concerned (cf. Robison 2009).

As argued elsewhere (Hout and Robison, 2009: 2-3), many development agencies gradually came to appreciate that governance involves more than a concern with formal mechanisms

and institutional arrangements. The agencies started to realise that power relations and 'informal' patterns of governance play an important role, and that an understanding of these is required for the analysis of development processes, as well as for policy making on, and implementation of, development assistance.

Calls for a better understanding of underlying power structures and the causes of deep-rooted political conflicts – often cast in terms of the need for 'political economy analyses' – resulted in the development of various instruments that aim to capture governance realities by 'looking behind the façade' (a term used, among others, by Harth and Waltmans, 2007 and Waltmans, 2008). The attention for political economy was inspired, to a considerable extent, by the growing recognition in various development agencies of the limited use of the governance approach that had been adopted under the influence of World Bank thinking, and that was grounded essentially in a depoliticised framework.

This paper discusses the struggle of the donor community with the application of political-economy analysis to governance issues. In particular, the ensuing discussion focuses on the paradox that donor agencies which stress the need to engage in political-economy analyses appear to be, at the same time, largely unable to use the insights derived from such analyses. The paper focuses on three agencies: the UK's Department for International Development (DFID), the Dutch Directorate-General for International Cooperation (DGIS) and the World Bank. Their respective instruments are the Drivers of Change, the Strategic Governance and Corruption Analysis (SGACA) and the Problem-Driven Governance and Political Economy Analysis.

This paper argues that the inability of development agencies to apply the outcomes of political-economy analysis stems from their conception of what is proper development policy. For most agencies, development is about improving (poor) peoples' livelihoods, either in terms of income or social development indicators (with the Millennium Development Goals as the pinnacle of the current policy consensus). Development policies are conceived, first and foremost, in terms of the instruments to achieve these targets. Agencies are primarily interested in 'doing development': because they operate effectively as 'anti-politics machines' (cf. Ferguson, 1990), they experience an almost insurmountable difficulty in taking political assessments seriously.

Drivers of Change[i]

In 1997, Claire Short, Secretary of State for International Development in the Blair Government, presented the first major policy statement on UK development cooperation in over twenty years. This policy document stressed the importance of improving governance: it announced measures 'to build sound and accountable government which is the foundation of economic growth and poverty elimination allowing poor and disadvantaged people to achieve their civil, political, economic, social and cultural rights' (Secretary of State for International Development, 1997: 32). The operationalisation of the UK's targets for governance, which were perceived to be instrumental for achieving the main goals of international development policies, were cast in terms of seven 'key capabilities for the state' (Department for International Development, 2001: 12):

- the establishment of a political system that enables all people to influence government policy;
- macroeconomic stability and facilitation of private sector investment and trade;
- pro-poor policies;
- effective public service delivery;
- personal safety and security, and access to justice;
- the creation of accountable national security arrangements and mechanisms for conflict resolution;
- the combating of corruption.

This listing makes clear that 'governance' in the early days of the Blair government was defined in largely instrumental terms and had a strong focus on policies of aid recipient countries.

First steps towards a political economy approach to governance were set at the UK's Department for International Development (DFID) with the launch of the so-called Drivers of Change (DoC) framework. After a first analysis of the 'drivers of pro-poor change' in Bangladesh in 2002 (Duncan et al., 2002), Drivers of Change was introduced because of the feeling at DFID that it would not be sufficient for donor agencies 'to bring about change through technically sound programmes, supported in country by individual champions of reform or change' (Department for International Development, 2004: 1). In addition to such programmes, it was argued, knowledge would be required about governance realities on the

ground in developing countries, in particular related to the role of formal and informal institutions and 'underlying structural features' shaping governance practices.

The philosophy behind the Drivers of Change methodology was to examine:

> 'what is driving change' in the countries where DFID is active. This is to address the fact that, 'DFID and other donors find it easier to say "what" needs to be done to reduce poverty than "how" to help make it happen'. By better understanding how change occurs within specific contexts, it is hypothesised that DFID's programming decisions will be better equipped to respond to this 'how' question and help bring about pro-poor change. DoC therefore emphasises DFID's need to understand economic, political and social contexts, in other words, the application of political economy analysis to formulation of donor strategy and implementation. (Warrener, 2004: 1)

The Drivers of Change programme typically led to the commissioning of analyses by DFID country offices from teams of independent local and international consultants. Altogether, consultants have produced some twenty-five reports ii that all followed the programme's conceptual model.

By analysing three different aspects of economic, political and social contexts (agents, structural features and institutions) the Drivers of Change methodology attempts to uncover the factors that contribute to or impede change. Agents are individuals and organisations pursuing particular interests, including political elites, the judiciary, the military, civil society organisations and the media. Structural features relate to 'deeply embedded' factors as the history of state formation, natural resources, economic and social structures, and urbanisation. Institutions are the formal and informal 'rules governing the behaviour of agents' (Department for International Development, 2004: 1), and range from laws and official procedures to social and cultural norms. As Mustaq Khan has noted in a review of various Drivers of Change studies, the common assumption underlying those studies seems to have been that certain 'good governance reforms' (Khan 2005: 38) are a prerequisite for further development and transformation in aid-receiving countries. The main issues appeared to be the sequencing of reforms and the identification of the change agents to bring about such governance reforms.

Assessments of the Drivers of Change approach have pointed at various weaknesses that limit the usefulness of the framework. In a review of the first twenty reports Leftwich (2006: 17-20) focused on the lack of rigour underlying the Drivers of Change studies (cf. Khan, 2005: 5-6). He noted that the studies performed under the broad umbrella of Drivers of Change displayed considerable variance in the use of central concepts such as agents, structural features and institutions. Moreover, Leftwich argued, the studies did not produce a convincing view on possible dynamics of change, as the interrelations among agents, institutions and structures were not well specified. Finally, Leftwich indicated that there was not a clear, shared understanding among the Drivers of Change analyses of what 'political economy' actually is.

Various commentators have argued that several factors limited the applicability of the Drivers of Change approach to programming exercises and concrete policy decisions (Thornton and Cox, 2005; Dahl-Østergaard et al., 2005). Importantly, the timing of Drivers of Change studies was often not well aligned with the preparation of DFID's country programmes. Further, many Drivers of Change analyses proved to be highly descriptive and did not provide operational conclusions (Thornton and Cox, 2005: 6, 22-3; Chhotray and Hulme, 2009: 45). Finally, as pointed out in an OECD-DAC report on the lessons learned,

> there is a sense of growing tension – expressed by staff in all locations – arising from the pressure to increase spending, especially in Africa, and to pursue short term interventions to achieve the Millennium Development Goals. This is seen as difficult to reconcile with the emphasis of DOC studies on local political process, and longer timescales for fundamental change. (Dahl-Østergaard et al., 2005: 7)

In the end, Drivers of Change analyses appear to have served mainly as a means to enhance the understanding of staff at DFID country offices and country specialists at headquarters about the political-economic realities in partner countries (Dahl-Østergaard et al., 2005: 7). The approach has failed to have a lasting impact on policy making, as is reflected in its apparent disappearance in recent years.

The Strategic Governance and Corruption Analysis

Dutch policy making on development has demonstrated a commitment to principles of 'good governance' ever since the arrival of social-democrat Eveline Herfkens as Minister for Development Cooperation in 1998. Herfkens, who had previously served as Executive Director at the World Bank, changed the orientation of Dutch development assistance by embracing aid selectivity, in that a limited set of countries were chosen for Dutch bilateral development assistance on the basis of 'the presence of good policies and good governance in the recipient countries' (Minister for Development Cooperation, 1998: 2, my translation).

Subsequent Ministers for Development Cooperation (christian-democrat Agnes van Ardenne and social-democrat Bert Koenders) increased the number of Dutch partner countries from 22 to over 30, while maintaining a concern with governance in aid-recipient countries[iii]. Koenders, in particular, showed great interest in the quality of governance in developing countries, as witnessed in a major speech he delivered on the modernisation of Dutch development assistance in November 2008: 'Good governance is a huge boost for development, and that is why I am investing in building the rule of law and well-functioning government' (Koenders, 2008: 9). In his own words, he was applying a 'more political conception of good governance' (Koenders, 2007: 9). His call for a political strategy for good governance was grounded in attention for the 'context' (Koenders, 2007: 9) that influences the success of policies aimed at fighting corruption, strengthening the rule of law and building democracy.

The so-called Strategic Governance and Corruption Analysis (SGACA), which had been conceived by the Directorate-General for International Cooperation at the Dutch Ministry of Foreign Affairs in 2006 and was introduced in 2007, resonated well with Koenders' views on governance. Despite the Minister's enthusiasm for the new tool, SGACA appears to have had a similar fate as the Drivers of Change approach.

SGACA had been introduced by the Human Rights, Good Governance and Humanitarian Aid Department with the clear aim of integrating the analysis with standard policy making procedures at the ministry. The instrument was given a role in the design of Multi-annual Strategic Plans per embassy with the intention of enhancing the "operational" value of the analyses.

The starting point of the SGACAs was the so-called Power and Change Analysis (PCAs), which would be a political-economy assessment aiming to bring out what are the determinants, in state-society relationships, of countries governance problems. According to the SGACA framework, the underlying assumption of the analysis is 'that building more effective, accountable states and public institutions requires a political process of interaction between the state and (organised groups in) society' (Ministry of Foreign Affairs, 2008: 10).

The SGACAs' Power and Change Analyses addressed, in a similar way as the Drivers of Change studies, three aspects of the political economy of aid-receiving developing countries: the "foundational factors", the "rules of the game" and the "here and now" (the current context and main actors and stakeholders)[iv]. The approach envisaged that operational implications would be derived from the SGACAs during workshops organised at the embassies (Ministry of Foreign Affairs, 2008: 6-7). As it was put in the SGACA framework:

> The PCA can help with refining existing choices or making new ones, by enhancing understanding of context (the underlying causes of bad governance and weak development); and highlighting opportunities and threats arising from that context that should inform all donor interventions. (Ministry of Foreign Affairs, 2008: 27)

The first of 29 completed SGACA exercises started from the assumption that the Power and Change Analyses would be "quick scans", on the basis of governance assessments made by the Dutch embassies (the so-called 'track records'; cf. Hout, 2007: 58-61) and other available material, such as academic publications and policy-oriented reports. On the basis of the pilot phase, which took place in the second quarter of 2007, a decision was taken to increase the time allocated to the work of the international and local consultants in order to provide more solid analyses[v].

Despite the increase of resources allocated to the analyses, interviews[vi] with direct observers of the SGACA exercises indicate that the quality of the SGACAs has been highly variable. In certain cases, the limited expertise of the consultants was mentioned as a cause of poor quality, while in other cases the relative failure of SGACAs was ascribed to the lack of interest among embassy staff. Most observers agree that the decision by the Minister for Development Cooperation to bring the drafting of the Multi-annual Strategic Plans (MASPs)

for 2009-2012 forward had important negative impacts on the SGACA process. As fewer than half of all 29 SGACAs had been completed by the time the MASPs were finalised at the beginning of 2008, most SGACA reports failed to feed into decision making on multi-annual programming.

The SGACA process seems to have come to an end only three years after its inception. The Human Rights, Good Governance and Humanitarian Aid Department has been considering an 'action plan' in order to bring the usefulness of 'political economy thinking' to the attention of embassy staff, but this idea has been abandoned in early 2010. Instead of the action plan, a set of briefing papers on the salient components of the SGACA exercise has been produced for staff at Dutch embassies and at the Ministry [vii] . The fate of SGACA seems, therefore, rather similar to that of the Drivers of Change, as its main value is seen to derive from the contribution that political economy analysis has on the understanding of embassy staff regarding interests and power struggles in the partner countries.

Problem-Driven Governance and Political Economy Analysis

The World Bank has come a long way in its thinking about the political economy of governance practices. The Bank's World Development Report 2002 was premised on the notion that markets are the central element of development: 'income from participating in the market is the key to boosting economic growth for nations and to reducing poverty for individuals' (World Bank, 2002: 3). The main challenge in fighting poverty was almost reduced to a micro-economic issue: it would involve creating opportunities and incentives for poor people to make use of markets (cf. Fine, 2003: 14). "Good governance" precepts would limit the role of the state to that of a regulator. The World Development Report 2002 distinguished four elements, in particular, as tasks of a well-governed state:

> Good governance includes the creation, protection and enforcement of property rights, without which the scope for market transactions is limited ... the provision of a regulatory regime that works with the market to promote competition ... the provision of sound macroeconomic policies that create a stable environment for market activity ... the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets. (World Bank, 2002: 99)

In a self-assessment published in 2005, the World Bank embraced some significant conceptual and theoretical innovations that contained an implicit criticism of and distancing from its earlier apolitical, technocratic approach. Interestingly, the self-assessment argues:

> Perhaps the most important lesson of the 1990s is that technocratic responses to improve governance work only in very auspicious settings – where there is committed leadership, a broadly based coalition in support of reform, and sufficient capacity to carry the reform process forward. ... Meeting the challenge requires a good understanding of the political dimensions of reform, and, in particular, of how reform can be used to identify and build constituencies that are capable of sustaining the reform momentum. (World Bank, 2005: 298)

Although the report seemed to signal much greater sensitivity to political dynamics than in the past, the "guidelines" for policy reform as formulated by the Bank remained limited to the creation of incentives for economic actors, the pursuit of growth strategies and the creation of institutional conditions for a favourable investment climate (World Bank, 2005: 262-5).

A so-called "good practice framework" (Fritz et al, 2009) , published by the World Bank's Poverty Reduction and Economic Management (PREM) Network in September 2009, emphasises the need for 'problem-driven governance and political economy analysis' as 'a crucial part … in enhancing the effectiveness of development' (Fritz et al., 2009: [vii]). The Bank, so much is clear from the framework, stresses the instrumental nature of its approach:

> A number of recent evaluations have underlined the need for understanding the political economy context of reforms more systematically and for taking this into account when designing and implementing reforms. … [Governance and political economy] analysis can help to anticipate and manage risks – including risks of reform failure, of Bank-supported reforms triggering unintended negative consequences, as well as potential reputational risks. It can also assist in transmitting important knowledge about institutions and stakeholders more quickly and effectively to staff newly joining a country or other operational team. (Fritz et al., 2009: 1)

Although the framework alludes to 'country-level analysis' (Fritz et al., 2009: 23), specific sectors and policy themes receive most attention. It is at this level that the framework seems to see the best opportunities for the application of governance and political economy analysis. In particular, the authors of the framework suggest three options to the Bank. In the first place, analyses would inform Bank staff teams how to adjust strategies and operations to existing opportunities for change. Further, such analyses would enhance and broaden the policy dialogue with country governments. Finally, findings of the governance and political economy analyses would point out opportunities for supporting change proactively.

On the basis of the recent "good practice framework" on governance and political economy, one is led to conclude that little has changed in the World Bank's approach to politics. Insofar as the analysis of the political economy context of borrowing countries is felt to be relevant, it is judged primarily on the contribution it may make to the Bank's own risk management. The World Bank's increased recognition of political factors in the governance reform process, which goes back at least to a stock-taking exercise of 2005 (World Bank, 2005) seems to have had only limited impact on its day-to-day operations. The Bank's use of the Country Policy and Institutional Assessment (CPIA) is a case in point.

The CPIA, which was introduced at the end of the 1990s in order to render IDA allocations more sensitive to recipient countries' reform of policies and governance, has been one of the most fiercely criticised instruments in international development financing [viii]. Much of the criticism of the instrument centres on its neo-liberal, market-oriented bias. Despite a recent revision of the CPIA methodology, assessments of country performance in the 2008-11 period are being determined, for about two-thirds, by a governance-related cluster of five measures (International Development Association, 2008: 43-5) [ix]. These measures are:
- property rights and rule-based governance;
- quality of budgetary and financial management;
- efficiency of revenue mobilization;
- quality of public administration; and
- transparency, accountability and corruption in the public sector.

Thus, the emphasis of IDA's governance assessments continues to be on impediments for private-sector activity, on public sector management in relation to public finance, taxation and service delivery, and on checks on government. There are no signs that the allocation of

loans to developing countries has become less performance-based and less reliant on the technocratic and market-oriented CPIA. Further, it is not clear how the change in thinking on political economy analysis is reflected in actual lending practices, nor how the awareness of political dimensions of reform is factored into projects and programmes aimed at strengthening governance in developing countries. On the basis of information that is available at the time or writing, the changes advocated in the good practice framework are seemingly having little impact on day-to-day World Bank policy practices.

Conclusion

The discussion in this paper of various methods for political economy analysis has indicated that such approaches do not sit very comfortably among the range of tasks undertaken by development agencies. When governance entered the vocabulary of international development at the end of the 1990s, the concept was understood in overly technocratic, a-political terms. Set against the background of the neo-liberal orthodoxy, which emphasised the role of market forces and the harnessing of the state in development, "good governance" referred to, in particular, the adoption of "good policies" by governments that were having effective public management instruments in place.

In itself, the technocratic and a-political framing of governance was not surprising. Well-known authors such as James Ferguson (1990), who studied the implementation of development policies in Lesotho, and John Harriss (2001), who analysed the usage of "social capital" by the World Bank, pointed out already long ago that the international development community is operating as an "anti-politics machine". More recently, the former Chief Governance Advisor at the UK's Department for International Development argued that donor agencies find it inherently 'hard to come to terms with politics' (Unsworth, 2009).

This paper has pointed out that the debate on international development has recently been characterised by a paradox. While the treatment of governance remains largely technocratic, many development agencies have started to recognise the need for political (or "political economy") analyses. Three examples (the UK's Drivers of Change, the Dutch Strategic Governance and Corruption Analysis and the World Bank's Problem Driven Governance and Political Economy Analysis) have been discussed in the paper. Despite their pretensions the first two approaches did not produce many concrete results in terms of day-to-day policy making. The Drivers of Change and the SGACA, in the end, seemed mainly to serve for

enhancing the understanding among embassy or country office staff of the political-economic realities in the countries they are posted to. Vagueness of the methodologies seems to have been a factor contributing to the limited use of the approaches, as was the lack of operational embedding. The launching by the World Bank of a "good practice framework" has not appeared to result in a major change in the way the Bank is dealing with governance issues. Its sectoral application of political economy analysis seems to be "inward-looking", in that it aims to limit the risk of reform failure and reputational risk. The increased attention for political aspects of governance, which dates back at least to a major self-assessment published in 2005, has not impacted on the way the Bank deals with lending to developing countries, as the IDA's main diagnostic tool remains biased to technocratic and market-oriented performance indicators.

The tension between the fundamentally depoliticised understanding of governance and the call for political sensitivity is, most likely, unsolvable in the current framework of international development (cf. De Haan and Everest-Phillips, 2007), as development agencies understand their own role primarily as 'doing development'. Such self-conception leads to a preoccupation with finding the right instruments to bring about desired effects, be it building infrastructure, providing health care or implementing macroeconomic policies. Development practice, as noted above, tends to be seen as an expert activity, not an act of politics – on the contrary, much of the development 'industry' still operates as the 'anti-politics machine' that it has always been (Ferguson, 1990).

Notes

i   This section draws on Schakel et al. (2010).

ii   The overview of Drivers of Change country studies at the website of the Governance and Social Development Resource Centre (GSDRC) mentions studies on: Angola, Bangladesh, Bolivia, Cambodia, the Democratic Republic of Congo, Ghana, Kenya, Kyrgyzstan, Malawi, Mozambique, Nigeria, Pakistan, Peru, Tanzania, Uganda, Vanuatu and Zambia http://www.gsdrc.org/index.cfm?objectid=597A76DB-14C2-620A-2770D688963DF944#doc (accessed 3 September 2010).

iii   Van Ardenne broadened the group of partner countries to 36; one of the criteria for selection was 'the quality of policies and governance in recipient countries' (Minister for Development Cooperation, 2003: 19-20, 32, my translation). Koenders selected 33 countries across three different 'profiles': countries with a focus on accelerated achievement of the Millennium

Development Goals, fragile states and (near) middle income countries. The least-developed and low-income countries in the first group were required to have 'a reasonable level of stability and improving governance' (Minister for Development Cooperation, 2007: 38-9).

iv   The similarity between Drivers of Change and SGACA is due, in part, to the involvement of Sue Unsworth, former Chief Governance Advisor at DFID, as a consultant during the process of setting up the SGACA framework.

v   In 2007, discussions started on the extension of the SGACA framework to make it applicable to fragile states. After his appointment in February 2007, the new Minister for Development Cooperation, Bert Koenders, had been placing emphasis on the inclusion of fragile states into the Dutch development assistance framework. The extended SGACA framework, which included a security component, was approved in September 2008. A pilot was undertaken with the extended framework in the Democratic Republic of Congo and Burundi, but the revised SGACA has never been applied to fragile states because most SGACAs had been completed before the original deadline of October 2008 (Schakel et al., 2010: Annex III).

vi   Details of interviews and interviewees are included in Schakel et al., 2010: Annex II

vii Based on a personal communication by a policy advisor at the Human Rights, Good Governance and Humanitarian Aid Department, The Hague, 2 September 2010.

viii A good summary of the criticism can be found in Alexander, 2004.

ix   A new formula for calculating the Country Performance Rating was introduced in the 15th replenishment period of IDA (IDA15, from 2008 to 2011). This formula is

$$\text{Country Performance Rating} = (0.24 * \text{CPIA}_{A-C} + 0.68 * \text{CPIA}_D + 0.08 * \text{PORT})$$

in which CPIA_{A-C} stands for the average score on the clusters on economic management, structural policies and policies for social inclusion/equity, CPIA_D represents the average on the five components of the governance cluster, and PORT the assessment of portfolio performance (International Development Agency, 2007: 9-10). In earlier periods, a so-called 'governance factor' had been used to emphasize governance-related criteria in the Country Performance Rating (see Hout, 2007: 31-40 for a detailed analysis).

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2. How Policy Agendas are Shaped by Different Concepts of Political Economy

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As we have seen in the previous chapter, the British Department for International Development (DFID) 'Drivers of Change' (DOC) initiative was a call to recognise the importance of politics in the development process. However, development policy in general has always embodied specific understandings of politics or political economy. Thus, the significance of the DOC is not that it introduces the idea of politics into the equation but that it represents a pluralist vision of the way political economy operates that is substantially different from prevailing public choice models and calls for a more direct engagement with the complexities of the political world.

Two ideas about the nature of politics in particular have shaped the orthodoxies of development policy. One is focused around rational choice or public choice political economy (generally referred to as 'neo-liberal') which sees the political problem in terms of a need to protect markets from the predatory raids of self-seeking interests and to insulate technocratic policy makers from the irrationalities of politics. The second main stream is that of pluralist political economy which understands politics as a process of conflict or negotiation between different ideological or economic interests. Thus, the main task of development policy-makers in this view is not simply to isolate or neutralise predatory elites but also to support and mobilise progressive social forces in favour of development objectives and 'good governance'.

Obviously, there are other ways of understanding the factors that shape conflicts in the of development process. Roslyn Eyben (2005), for example, also identifies approaches that see development as a process of cultural change and the adoption of modern norms and values or as a process of technological transformation. These were highly influential in shaping development policies before the neo-liberal revolution in the 1980s, driving strategies based

on the injection of cultural values or technology and education as the primary means of kick-starting change.

The intention of this chapter is to explain how ideas about political economy generate specific development strategies and policy. But it also introduces ideas of critical or structural political economy. This is an approach that shares with pluralist political economy the idea that politics is about conflict over power but sees the competing forces and interests as locked in an overarching structure of power relations rather than being simply the reflections of functional role specialisation and therefore amenable to negotiated settlements. This makes it difficult simply to reshape politics through institutional reform or by engaging more directly with progressive forces. Structural political economy may, on the one hand, suggest that the processes of social and political change are outside the control of development agencies and banks. At the same time, it offers a perspective that can lead to more realistic engagement with political economy.

The World Bank Model and Public Choice Ideas of Political Economy: Protecting the Market from Politics.

The idea of political economy inherent in the public choice (neo-liberal model) is based on a view of a society defined by the voluntary transactions of rational, utility maximising individuals where the essential problem is how to resolve the collective action dilemmas of predatory, self-serving behaviour. As these ideas began to dominate development thinking in the early 1980s it was generally assumed that the advance of the market would be enough in itself to end problems of economic inefficiency, corruption and arbitrary rule in developing countries (see Toye 1987: 47-70). It was thought few institutional prerequisites would be needed beyond some basic property rights in the initial stages of market transformation. This view was an important justification for strategies of "shock therapy" in Russia and Eastern Europe (see, Rapaczynski 1996; Sachs 1992). Increasingly, though, there was a long retreat from the belief in the self-regulating capacities of markets, accelerated most recently in the wake of the 1997 Asian economic crisis and, indeed, the GFC. Neo-liberal agendas for global economic change and development gradually shifted from a simple plan to roll out markets through policy reform to a new concern for containing the risks that seem invariably to

accompany their rise. Their dilemma was whether to insulate or mobilise social forces in this process.

Strategy One: Protecting markets and Insulating Technocrats from Politics – liberal authoritarianism.

As early as the 1980s, in the so-called Berg Report and in its later 1989 report on the growing crisis of development in sub-Saharan Africa, advocates within the World Bank began to argue that structured programmes of institutional change were required to solve the scourge of corruption and pervasive clientelism (World Bank 1981; 1989a). The problem was, where would these institutions come from? It was initially assumed these would emerge seamlessly as rational individuals dealt in an instrumentally rational manner with new collective problems of transaction costs and information asymmetries that accompanied markets (Williamson 1987; North 1994). However, as public choice political economists observed, institutions were not only constructed to contain the self-serving behaviour of vested interests; it was entirely rational for coalitions to organise collectively for the purposes of making predatory raids on the state rather than to establish the collective goods that make markets work (Bates 1981; Olson 1982; Buchanan and Tullock 1962) [i]. North himself (1995:20) and the World Bank (see, World Bank 1997), began to argue that it was only the state that could provide such institutions, a remarkable turnaround from the earlier position that the state was at the heart of the problem. Yet, where the liberal pluralist idea of the benign state had been replaced with the idea of a state that is necessarily predatory and whose politicians and officials deal in the currency of rents and privileges it became difficult to explain why the state would drive the reform process. As Gamble (2006) has stated it, neo-liberals had arrived at a point where neither state nor society could be trusted. It seemed that there was nowhere to go.

It was in this context that neo-liberal policy-makers began to turn to the idea that reform must be provided by enlightened technocrats operating above the demands of politics to protect the general welfare of society against the self-serving behaviour of vested interests (Williamson 1994; cf. Grindle 1991). Without becoming directly involved in the turmoil of politics and social conflict, it was envisaged technocrats could neutralise distributional coalitions by altering the institutional incentives that shaped the choices and behaviour of individuals [ii]. Technocratic elites, often dominating key economic and financial ministries and agencies in developing economies, have played an important role in designing and implementing neo-

liberal reform agendas. For example, Chile's famous 'Los Chicago Boys' in the 1970s had their equivalents in the so-called 'Berkeley Mafia' who, almost a decade earlier, had begun to play a central policy role in Soeharto's Indonesia. In Russia, technocrats like Anatoly Chubais initiated decisive privatisation programmes during the Yeltsin period of the early 1990s while in Zambia, the ubiquitous Harvard Institute for International Development gave rise to the so-called 'Harvard Boys' in the early 1990s.

Yet, despite the flow of hundreds of millions of dollars into programmes of institutional reform, conflicts over issues of efficiency, corruption, rule of law, arbitrary authority and opaque regulation of markets have continued to proliferate and deepen. Within the World Bank and other mainline development agencies these are explained primarily as problems of design or sequencing, requiring more precise recalibration of the way incentives are structured within the new institutional arrangements to produce specific behavioural changes (Rosser 2005; World Bank 2004: 16-60). Yet, while it was true newly engineered institutions may indeed change behaviour this was not always in the way favoured by those within the neo-liberal camp. Something was needed to ensure that policy and institutions worked; that something was 'good governance'.

Essentially, neo-liberals have understood 'good governance' as a mechanism to provide efficient public and private management for markets. As the World Bank has stated it, '[t]he ability of the state to provide institutions that make markets more efficient is sometimes referred to as good governance' (World Bank 2002a: 99). Thus, 'good governance' ensures efficiency in public administration, rule of law and regulation of corporate life, including competition laws and anti-corruption watchdogs, arms-length procurement processes and the outsourcing of public services and supply. But the idea of governance has spilled over into wider agendas for regulation and authority at the political and social level. In the idea of a form of authority that is technical and managerial in nature it offers a solution to perhaps the key political dilemma of neo-liberals. As economist Hal Hill observed in his analysis of Indonesia after the Asian financial crisis, 'One of the big challenges of the coming years will be to find a way of separating the economic and commercial world from the political world' (Hill 2000: 4).

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The idea of 'governance' meets this objective in several ways. Broadly understood as a form of authority separate from traditional notions of politics and the state and defined increasingly in terms of legal or constitutional principles (Gill 1995), it enables a vast range of problems related to economic efficiency and political order and legitimacy to be approached without any reference to the contentious arenas of power and politics (Hewitt de Alcantra 1998). More practically, the idea of governance can be used to bypass opponents (vested interests) through modes of technocratic and managerial rule. In the words of the World Bank, '… good governance requires the power to carry out policies and develop institutions that may be unpopular among some – or even a majority – of the population." (World Bank 2002a: 99).

Strategy Two: Mobilising Civil Society: decentralisation and new modes of governance.
Nevertheless, there has been a growing recognition that the market state requires a broad legitimacy across society and at least some measure of support and engagement from popular social forces. New policies of engagement with society began to accept the classical liberal proposition that civil society represents a potentially progressive and entrepreneurial force. Social movements and NGOs were increasingly considered potential allies against recalcitrant and corrupt governments, bureaucracies and elites. In its 1991 Report on Governance the World Bank stated, 'While donors and outsiders can contribute ideas and resources to improve governance, for change to be effective, it must be rooted firmly in the societies concerned, and cannot be imposed from outside.' It urged citizens to be responsible - 'Citizens need to demand good governance' (World Bank 1991 : 6,7).

Such moral exhortations failed generally failed to galvanise civil societies seemingly characterised by indifference or hostility to market-based reform? One explanation was that this potential reservoir of entrepreneurial energies in civil society was constrained by the restrictions of highly centralised states. It followed that this could be most effectively mobilised by means of administrative and political decentralisation (see, Manor 1999). In other words, once again there were institutional answers to political questions. Decentralisation, it was thought, would introduce competitive relations of the market place into society and reduce the power of the state by diffusing authority to regional and local legislatures and governments. It became a common feature of post-crisis agreements with governments on the part of the World Bank and the IMF and was also a key element in post-war reconstruction strategies [iii].

However, decentralisation and localisation also potentially opened the door to various business interests, local warlords, criminals and individuals able to mobilise tribal or clan attachments that were also part of civil society and were unruly and unpredictable, especially where fragile or failed states were unable to provide the basic regulation and order necessary for market societies (World Bank 1997, 2002b). One way of dealing with this was by strategies of hyper-decentralisation aimed at getting below these dark elements to the real grassroots of atomised individuals via programmes including micro-credit and small scale participatory infrastructure creation (Cliffe, Guggenheim and Kostner 2003).

Most important, though, neo-liberal policy-makers concluded that the problems of a hostile or indifferent citizenry required programmes of capacity building to create the networks and values - the social capital – and new forms of citizenship and participation that would enable individual citizens to organise collectively in favour of markets (Collier et al 2003; see, World Bank 2002a: 21; Bebbington, Guggenheim, Olson and Woolcock 2004; Woolcock 2001). These new modes of governance would involve a functional integration of citizens through assemblies, meetings and other neo-populist devices that would bypass competitive and representative politics (Rodan 2006; Jayasuriya 2005; Carroll).

The idea of social capital became an indispensable organising concept. It enabled development policies to be redefined in terms of poverty reduction strategies that avoided any entanglement with issues related to concentrations and distribution of power and wealth in society. Such functional and organic ideas meant that politics could be redefined in technical and managerial terms and created a whole new industry in capacity building, training and social inclusion projects by the World Bank and other development agencies (Fine, et al, 2001; Harriss 2002).

Pluralist Political Economy

For pluralist political economists, political economy is not a puzzle aimed at imposing technocratic forms of authority on dysfunctional rent-seeking coalitions and insulating markets from these self-seeking forces. Instead, political economy is a world of contending interests seeking to advance their cause by influencing the policy and resource priorities of the state. Because these are forces that emerge from the division of labour they are able to

solve problems in a process of negotiation and accommodation. While it is true that most of the leading figures involved in the development of DFID's Drivers of Change (DOC) approach were familiar with theories of structural political economy their policy initiatives generally operated on pluralist assumptions. Aid planners were encouraged to do political analysis that identified the various players involved in the development process and, in particular, those that could be co-opted in various ways to support reform programmes. It was considered essential to identify both individual and collective agents that were obstructing change, including both external actors and institutions that give the wrong signals to political actors (DOC Team, Policy Division, DFID 2006).

There is little doubt that the DOC approach potentially enables a more sophisticated understanding of why development is failing and where specific policies may be counter-productive. It is recognised that "DFID has a political role and that it and other donors are not perceived as neutral and apolitical, and play a role in shaping the context" (DFID 2005). Studies led to sets of principles that could be applied to designing concrete programmes. For example, policy-makers were urged to; "Be flexible, as politics are unpredictable and recognise that crises and sudden change may offer and opportunity" and to "Recognise that power does not only lie with partner governments especially where the line with business is blurred" (DFID 2005: 2, 3). While the attempt to mobilise support for reformist policies could involve institutional strategies aimed at changing incentives, as Chhotray and Hulme note, ' The attempt to identify "Drivers" of change signals therefore the need to collaborate with those "driving" change, including elements within the elite, as well as important actors not typically involved in donor activities, such as political parties of change" (Chhotray and Hulme 2008 :41). Thus, DFID programmes began to pay attention to participatory approaches to local level-decision making and community empowerment projects, supporting new political parties and identity-based movements and organising poorly paid workers (see, Eyben 2005). In short, the DOC recognised that reducing poverty is about, "…intervening in historical processes and not simply rational planning." DOC was driven by the idea that, "…each country has its own particular agents, institutions and structures that drive change" (Chhotray and Hulme 2009: 40).

In chapter four, Hughes and Hutchison examine some the attempts to apply these observations as the basis for practical policy and this analysis will be extended in chapter eight of this volume.

Critical Political Economy: Institutional and policy reform and the consolidation of Oligarchy.

For critical, or structural, political economists, the difficulties of the development process are not explained in terms of the politics of resistance versus transformation. Rather, these are understood as part of the processes of conflict to shape the rules that define the new market societies and to establish new forms of social and political power within the market system (Chaudhry 1997; Robison and Hadiz 2004). Nor is the development problem simply concerned with the progress of markets (as the "development problem") but also with issues of equality and redistributive justice. While the policy and institutional solutions of donor nations may be perceived, at one level, as attempts to bypass the often brutal conflicts that historically underlie the formation of modern rational states (Ottaway 2002: 1004), they are seen by critical political economists as integral to these conflicts and designed to impose very specific and normative social and political orders.

It follows that because different interests and groups in society are enmeshed in overarching structures of power, it is difficult to achieve change simply by institutional measures (Sangmpam 2007), whether these are to insulate technocrats or to support perceived progressive forces and interests so long as the structures remain intact. It also follows that the conflicts on the ground may not be primarily about markets but can be focused on more fundamental issues; for example, relating to the allocation of land or rights to occupancy.

Thus, for orthodox policy-makers, these structures and the social and political elites and oligarchies that preside over them constitute the elephants in the room that have upset the best of plans. These are not external to the process of market consolidation but have established and consolidated their positions within the broad rules of the market by co-opting property rights, undertaking financial sector reform and adopting techno-managerial prescriptions for political rule (Robison 1986; Rodan and Jayasuriya 2007; Jesudason 1986). They are resilient in the face of crises and resist the reformist demands of development organisations even where this appears to invite economic decline or social dislocation where their political ascendancy is at stake see (Bardhan 1989). Such resilience and ability to evolve is made possible not least because such elites and the forms of authoritarian and discretionary forms of market governance they preside over are often useful to the broader economic and political agendas of donor governments. They can protect markets from certain forms of

politics and liberate private interests from a range of collective social demands and they can play a part in battles to preserve economic or political hegemony played out at the global level.

The point to be made here is that identifying the players in the constellation of power and interest is not enough. What counts is how the power relationships work and how powerful interests exercise their dominance. The important contribution of critical political economy is to explain how the significance and potential of different groups is constrained and defined within these larger structural relationships. As we shall see, some development thinking is addressing these issues (see, Leftwitch 2010).

Oligarchy and Markets

A key proposition is that attempts to create reforms in governance often collide with the rise of the very forces that have been sustained and even created within the broad process of market reform – these are the elephants in the room. The privatisation of large state monopolies and companies has offered opportunities to a range of privileged oligarchies to expropriate public resources and state corporate wealth. Property rights have enabled new entrepreneurs to claim state assets or community land where title to these was not clear. As Mick Moore has also argued, the , '…political underdevelopment of much of the South also results from the ways in which Southern states have been created and political authority shaped through economic and political interactions with the wealthier countries of the North' (Moore 2001: 385). Opening economies to global markets has meant that new private interests can now access flows of finance from international lenders and investors who prove willing to accept the risks of highly politicised markets and arbitrary systems of regulation. Neo-liberal models of techno-managerial authority have also offered a new means of legitimising authoritarian rule in the name of economic efficiency and the need to protect markets from the excesses of representative politics.

These seemingly counter-intuitive relationships between markets, predatory economics and illiberal politics have existed across different types of political and economic systems in developing countries. In the predatory clientelist political systems of sub-Saharan Africa, extensive market deregulation and privatisation in the 1980s served to consolidate what Harrison describes as, 'a new political class that reproduces itself through 'neo-liberal clientism' (Harrison 2006: 109). The corrupt disposal of state enterprises, leakage of finance

from large banks and corruption in procurement as well as plunder in the Congo and elsewhere have all been essential elements in the way the new 'champions' of neo-liberal reform have reinforced the politics of ethnic allegiances, patronage and corruption [iv]. No sign of any 'relatively autonomous' state apparatus appeared on the horizon to put an end to this ongoing logic of disorganised capitalism nor any progressive middle class alliance able to get its hands on power. (Harrison 2005, 2006; Van de Walle 2001; Tangri and Mwenda 2001).

Quite different forms of client-patron regimes existed in Latin America and in the Philippines, where business or landed oligarchies became the beneficiaries of the new markets by determining the flow of rents from a largely incoherent bureaucracy. Elsewhere in Southeast Asia, new oligarchies were more commonly incubated within highly centralised and powerful states incubated private business interest. The rise of private business as a political power in Thailand was made possible as deregulated global and domestic financial and banking systems and equity markets in the 1980s and 1990s enabled a new raft of individuals to consolidate themselves outside the big Sino-Thai banks in finance, property and telecommunications (Lauridson 1998; Hewison 2006). Fitful democratic reforms stretching back to the 1970s meant these private interests could outflank the formerly dominant state bureaucracy and press their interests more directly through a pervasive system of money politics; to become the financiers of parties rather than the clients of bureaucrats (Anderson 1990; Hewison 1993).

In Indonesia, the rise of Soeharto in 1965 was widely seen by neo-liberal economists as a triumph of rationality over politics. However, the presence of Western trained technocrats in key economic ministries and the opening of Indonesia to foreign investment and selective market reforms were to reinforce a pervasive apparatus of security and repression and a vast network of state-owned enterprises that stood astride the commanding heights of the economy (Robison 1988). Ideas of technocratic and managerial rule able to bypass vested interest and representative and competitive politics also suited the needs of the new regime by offering a convenient legitimacy for authoritarian rule (see, Moertopo 1973).

More thorough-going market reforms in the 1980s were not imposed by technocrats but signalled a takeover of state capitalism by a politico-business oligarchy for whom the state that had incubated them now constrained their ambitions. This was not a private sector

increasingly tired of arbitrary authority and seeking orderly markets. It was a process of privatisation without liberalisation and was thus highly selective in its application. Domestic trading and manufacturing cartels were preserved while the newly opened finance sector was to be unconstrained by rules about intra-group lending and capital adequacy ratios and no distinction existed between lenders and borrowers. Public monopolies were transformed into private monopolies while key state enterprises became the conduits through which state funds haemorrhaged into private hands by subsidising the costs of their activities and providing discretionary credit (Robison and Hadiz 2004).

The Indonesian model has striking similarities with processes of change cases in the Middle East (see King 2007). Perhaps the most dramatic example of the rise of a market oligarchy has been that of Russia where a programme of 'shock therapy' introduced radical market reforms that saw vast swathes of the state sector pass into private hands almost overnight. The loans for assets deals of the early 1990s, made possible in the context of new, market-based financial sector reforms, created a system of private oligarchy that was to be governed, initially at least, by violence and murder presided over by gangsters and mediated within a highly corrupt state bureaucracy (Volkov 2002; Oversloot 2006).

The Resilience of Oligarchy

By the late 1990s, many of these regimes appeared to be experiencing difficulties. In sub-Saharan Africa, it was hard to see how the predatory regimes could survive in the face of deepening poverty and economic decline. In Russia, as economic crisis and bank collapse hit hard in the 1990s, it was thought that business and the middle class would recognise that the regimes that had incubated them were now constraints on their development. In many Asian countries, it seemed that change would be imposed by economic crisis and put an end to the robber baron era of capitalism. For many Western observers, including within the IMF and the World Bank, the Asian economic crisis signalled the ultimate triumph of markets and the end of those regimes that had refused to embrace its disciplines (Friedman 1997).

However, change did not take place as expected. Despite the fact that poverty and economic performance remained entrenched in much of sub-Saharan Africa and other poorer regions, regimes proved able to preserve their authority and to consolidate the economic and political power of ruling coalitions, resisting or hijacking programmes of institutional reform and 'good governance'. Enthusiasm among Western governments and donors for new champions

of reform in countries like Kenya and Uganda evaporated as these and other governments bypassed attempts to impose conditionality on development assistance. Such regimes were able to bolster their bargaining capacity with income from oil and mining in particular, providing them with a degree of autonomy from the demands of their own citizens as well as requirements of global governance (Moore 2001; Bates 2006). This leverage *vis a vis* demands from Western governments and donors has been enhanced by accelerating Chinese investment where financial support carries no demands for such reforms (Watts 2006)[vi].. Foreign involvement in the exploitation of resources and in the laundering and banking of illegal windfalls has benefited many local regimes. As Reno has shown, some rulers in weak African states have even used foreign firms not only for financial support but to enable them to conduct offensives against old patronage networks and insurgencies and deal with other states and multi-lateral agencies (Reno 1997).

Scholars of Latin America and the Philippines had always been more pessimistic about the possibility of reform in governance and policy. For some, it was considered the persistence of predatory oligarchies was a consequence of the relationship of powerful business families with incoherent states. Economic growth is argued to reinforce the power of social interests resistant to reforms that would break up rent-seeking coalitions and impose general rules on business. In contrast, it was claimed that the rise of a modern rational state is more likely where power resides, at least in the early stages, with a class of office-holders who are the main beneficiaries of rents extracted from a politically disorganised business class. Here the state is assumed to possess the autonomy to impose reform and nurture a private sector more likely to tire of the uncertainties of rents and seek more formal modes of economic governance (see Hutchcroft 1998: 45-64).

There are two problems with this institutional hypothesis. First, neo-liberal reform has indeed taken place in some of these client regimes, driven by a range of perhaps unexpected new political entrepreneurs located in the political margins. [v] These saw fiscal austerity, privatisation programmes and trade and investment reforms as an opportunity to undermine entrenched elites and to construct new political bases in league with provincial and middle and lower ranking classes together with emerging corporate and financial interests (see Weyland 2003). Such neo-populist democracies dispensed with earlier forms of corporatist alliances or settlements, including with labour unions, constructing plebiscitary relationships

with the unorganised poor and formerly marginal elements of the lower middle classes. This anti-organisational bent, argues Weyland, has important affinities with neo-liberalism. "As populism wants to protect the unity of the people against politicking factions and selfish elites, so neo-liberalism seeks to protect the equilibrium of the market against the machinations of mercantilist rent-seekers" (Weyland 2003: 1098).

At the same time, centralised authoritarian states have not produced the sort of reform expected. Anatoly Chubais, the architect of the 1990s shares for loans privatisation that opened the door for the emergence of Russia's oligarchy, claimed that despite the chaos, corruption and inequity that accompanied it, not only was 'shock therapy' the only possible way of creating private property but that the oligarchs that emerged would themselves increasingly tire of the arbitrary and discretionary authority that made their ascendancy possible and see that moving on to the next stage requires a system based on rules that ensure their general interests (cited in Ostrovsky 2003, 2004). This view had parallels with the ideas of Marxist analysts who also saw in the arbitrary handover of state assets to well-placed individuals, a process nothing less than unconstrained 'primitive accumulation' essential to the early stages of capitalist development. This world of political deals, gangsters and violence would be cured only as the state secured the position of the oligarchs through property rights and via the increasing interest of business in an orderly system of regulated market capitalism (Holdstrom and Smith 2000).

Yet, the political future was not to be determined by an increasingly mature business community demanding 'good governance' and democratic reform but by a powerful state asserting it ascendancy over the emerging private oligarchs. Faced with the prospect that private wealth might spill over into a broader political challenge funded by some of the new oligarchs, President Putin moved to recapture the agenda of change. This was a move designed not to roll back the market but to subordinate the oligarchs within the ambit of the state itself and to renationalise many of the commanding heights of capitalism. Elsewhere, the private sector and the middle class have not been the drivers of neo-liberal reform but, more often, allies of authoritarian regimes and their supporting elites and enmeshed in predatory systems of governance.

In the case of Asian economies affected by the economic crisis, it is true the IMF was able to impose unprecedented programmes for reforms in governance in return for huge financial

bailouts in Thailand, South Korea and Indonesia. These included special corruption watchdogs, arms-length procurement practices, transparency regulations, increased property rights, capacity training for officials and remuneration strategies as well as programmes of democratic reform and political and administrative decentralisation. [vii] But this did not produce the expected results.

In post-crisis Thailand, business achieved its most complete ascendancy over the state following the electoral victory of the Thai Rak Thai party of new Prime Minister, Thaksin Shinawat. Reacting against the hard line neo-liberal reforms of immediate post crisis governments, beleaguered Thai business interests sought to consolidate its position *vis a vis* the advance of global markets. Policies were put in place to stem the flow of external corporate takeovers and to slow the pace of privatisations and corporate reform. At the same time, the political ascendancy of business was consolidated in an increasingly centralised system of money politics appealing to the poor where a new social contract to draft broad political support included highly populist measures for health insurance and village level grants. In an important sense, the Thai bourgeoisie adopted a Fujimori solution to their problems (Hewison 2005). When metropolitan middle classes reacted against this business-led populist revolution, they did so in alliance with conservative elites gathered around the monarchy and the army.

In Indonesia, old power relationships between business and the state remained relatively intact after the crisis. Although forced out of sectors like finance and banking, Indonesian conglomerates moved into booming resources and property sectors, retaining the essentially predatory relationships with politicians and state officials albeit within a more diffuse and disorganised state apparatus. Technically bankrupted business groups held onto their key assets by emptying their banks and sending the cash overseas, stalling foreign creditors or warehousing their debt with the government agencies responsible for the recapitalisation of banks, and fighting efforts to seize assets or prosecute them by using corrupt courts, effectively socialising the costs of their losses (Hamilton-Hart 2002; Robison and Hadiz 2004). Despite the collapse of centralised authoritarian rule and new political and administrative reforms, democratic reform and decentralisation appear to have enabled the same systems of business-state relations to be reproduced, albeit across a wider range of

alliances and within a disorganised system of money politics, extending down into the provinces and sub provinces (Hadiz 2004, 2007).

Conclusion

Neo-liberal and liberal pluralist expectations of a grand liberal convergence towards markets, democracy and 'good governance have been disappointed. Social power and state authority have evolved in quite different ways, not as a resistance to markets but as new and apparently viable models of accommodation. In particular, middle classes and business have often proven to be highly illiberal in their political preferences. Policy-makers in the development arena are faced with two main problems. It is not sufficient to identify potential progressive forces in the expectation they will be able to effectively operate on behalf of reform while overarching sets of power relationships remain intact. And illiberal models of state authority and social power are surviving and flourishing in the market society and economy. These are the elephants in the room. The question is what can be done with them. Is it really possible to outflank them or to transform them through institutional or policy reform? Or will development agencies be forced to work with them and to accept collateral damage to development programmes? Or should the whole development effort simply retreat into methodological reviews or as support to larger national strategic objectives? These questions will be tackled in chapter Nine of this volume.

Notes

[i] It should be noted that the idea that institutions would emerge organically as rational individuals addressed problems of transactions costs was supplemented by a recognition within the new institutional economics that collective action dilemmas may have to be addressed externally and from within the state and that these solutions might not produce efficient outcomes because they would necessarily reflect specific interests (see, North, 1995)

[ii] The view of institutions as both an explanation for political and social problems and a solution for them is a central theme in World Bank writing on institutions. See also Bates (2006) and Levi (2006).

[iii] A comprehensive analysis of the attachment of the World Bank and other development organisations to policies of decentralisation can be found in Hadiz (2010) pp. 1 – 39.

[iv] These include such figures as Museveni of Uganda, Rawlings of Ghana, Chiluba of Zambia and Muapa of Tanzania and Kibaki of Kenya.

ᵛ   Among these are Alberto Fujimori in Peru, Carlos Menem in Argentina, Carlos Bolona in Peru, Miguel Rodriguez in Venezuala and Fernando Collor in Brazil

ᵛⁱ   These became, for example, the basis of Chad's refusal of World Bank demands that it restrict the use of its loans for development programmes rather than for arms purchases (Massey and May 2006) and the continuing ability of Sudan to chart an independent course in economic and geo-political strategy. Former World Bank Head, Wolfowitz, has expressed concern that Chinese bank loans, particularly in Africa, could undo the objectives of debt forgiveness programmes introduced by the West by opening opportunities for further plunges into debt (Crouigneua, and Hiault 2006). In Southeast Asia, too, the surge of investments from China, Singapore, Malaysia and Taiwan (see, Watts 2006; UBS 2006) bring quite different implications for the broader politics of governance in that region.

ᵛⁱⁱ   It has often been the best remunerated and trained sections of the civil service, including in the financial ministries and central banks, that have been at the heart of many financial scandals (see, for example, Hamilton-Hart 2001). Applying salary increases for civil servants to reduce incentives for corruption and the costs of being honest is a popular strategy for changing behaviour by institutional means among neo-liberal political economists (see, McLeod, 2005). But this assumes a short term rational choice calculation that ignores the role of corruption as a cement for wider political and social relations. As Harrison (2005: 252) has observed, higher pay scales have simply fed into existing systems of clientalist and informal politics in many African countries.

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3. Obstacles to Using Political Economy Analysis

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In the final analysis, development practitioners must operate within constraints imposed not only by the forces and interests that underpin recipient governments but by their political and economic paymasters. There are three main constraints. One is the constraint imposed by highly influential ideological views that politics is something to be removed, contained or circumvented in favour of managerial forms of authority. These may conflict with attempts to mobilise progressive social forces or enhance democracy. A second constraint is that imposed by politicians and financial controllers to produce quantifiable measures that demonstrate fiduciary responsibility. A third constraint is imposed by investment communities or foreign policy officials in donor countries who will require that development policy enhances regimes that are supportive of economic or geo-strategic interests.

The Constraints of Ideology

As we have noted in previous chapters, while there is recognition that politics exists, there is reluctance within important sectors of the development industry to accept that politics is anything other than a constraint on development rather than being the very process within which different processes of development are forged. The idea of politics as something antithetical to rationally efficient decision-making that is the underlying position within the neo-liberal camp requires the establishment of technocratic and managerial forms of authority and governance. On the other hand, pluralists see politics in terms of the interplay of overlapping and shifting interests that can be brought into the development agenda by various devices of ownership, participation, partnership and inclusion. In other words, while the problem may be conceived as political in a way not recognised by neo-liberals, the resolution involves negotiation that is abstracted from any notion of overarching, structural relations of power.

Satisfying Funders

All of the major public development organisations are funded through the budgets of national governments or are themselves international public organisations. As such, they are hostage

to specific kinds of bureaucratic processes that may be explained in the context of the new public management. Governments need to demonstrate how the tax dollars and euros expended on development are effective. Ministers of Development need to defend their budgets against the competing claims of other departments and their domestic constituencies. And revelations of waste or misuse of funds spent on the citizens of other countries are highly sensitive matters. Thus, apart from episodic expenditures on humanitarian tragedies, politicians are required to explain to suspicious publics that development budgets are effective ways of achieving national interests. As Eyben notes, these pressures also represent the focus on risk in Western bureaucracies and the rise of the audit culture (Eyben 2005: 100, 101).

The result has been a constant regime of review and assessment in which measures of success are defined by processes rather than development outcomes and expressed in quantitative and easily demonstrated terms. It is a process that favours measurable indicators such as the supply of physical projects, 'good governance' and institutions. Thus, considerable energy has been injected into measuring 'good governance', for example (see, Kauffman, Kray, Maztuzzi 2007). The Millennium Development Goals provide a set of Key Performance Indicators for officials that require ways of measuring levels of poverty or illiteracy, for example. The construction of schools, delivery of training courses, provision of information, travel and workshops are all useful measures for quantitative review. Thus, institution building projects are ideal for such review in the New Public Management model. The energies of the development agencies are shifted from tackling the causal problems of development to that of devising methodologies for measuring performance and selecting the sorts of activities that are best measured.

The point is engaging with politics will not produce results that are easily quantifiable. It will be hard to convey a message about what is being done (even achieved) to taxpayers. And the prospects of such longer term attempts at local political engagement, particularly around the budget process, conflicts with a risk-averse approach that is concerned with fiduciary objectives and fear of reinforcing patronage systems[i].

Dealing with Contending Ideological, Corporate and Security Priorities within Donor Countries

As we have seen in chapter two and will be illustrated by the case studies, regimes that obstruct governance reforms are not universally fragile and unstable, such regimes are often surprisingly stable and cohesive entities that have proven resilient even in the face of political and economic crises. They derive an important resilience from their ability to deliver power and wealth to key interests in society. And they may also derive power because they are important allies in securing commercial advantages for private corporate investors or in supporting the geo-strategic priorities of officials in defence, trade and foreign affairs ministries of donor countries. This means the problem of how to deal with these regimes and oligarchies may be hotly contested within donor countries.

One critical factor is that there are important ideological differences between liberal pluralist and neo-liberal (so-called market fundamentalist) views of development priorities. So-called market fundamentalists, often dominant in the banking and financial sectors and in the economics profession and within economic Ministries of the West are often ambivalent about democracy because it is seen inevitably to act as an incubator for rent-seeking majorities[ii]. There is a preference for techno-managerial forms of governance that redefine the relationship between state and society within *de facto* social contracts intended to free technocratic elites from the debilitating effects of political bargaining with organised rent-seekers in representative organisations like political parties and trade unions. It is this emphasis upon controlling distributional coalitions and setting up powerful regulatory capacities that have been central to US efforts at democracy promotion programmes and embody a particular form of what critics have called 'low intensity democracy' or 'liberal authoritarianism' where the market is removed from the arena of representative politics and constituted within a technocratic and legal status (Gills 2000). Such ideas as participation and citizenship are understood in terms of functional co-option into market society rather than in terms of collective rights to contest political agendas embodied in classical liberal or social democratic thinking (Jayasuriya 2005).

Such views resonate with private investors in the West who are less interested in free markets than in the particular advantages that might be gained by individual investors even if these are facilitated by a neglect of regulation in the collective interest or by various forms of state or political intervention in the market. The corporate sector in the West has been involved in protracted struggles to escape regulatory constraints on financial markets, health and

environmental standards, labour laws and ethical constraints on business practice that persist in residual social democracies (see, for example, Simpson 2008). Globalisation, ironically, has therefore meant an opportunity to seek competitive advantages within different systems of governance, looser regulation and where taxes and labour costs are kept low by political means.

This explains the mixture of admiration and disapproval with which Singapore is regarded. As Rodan (2006) points out, Singapore regularly appears at the top of tables of economic freedom produced by various market-oriented foundations and by the *Wall Street Journal.* This clearly illustrates the attractions of government that can guarantee to private investors high levels of stability, infrastructure while also containing demands from distributional coalitions, including pressures for collective social goods. We also see, in the case of Indonesia, nostalgia for the highly centralised rule of the former Soeharto regime which is seen to have provided certainty and enforcement of property rights. By contrast, the current democratic regime, beset by the rise of administrative decentralisation and parliamentary process, is seen to offer no such certainty for investors (Duncan and McLeod 2007). It is a sentiment echoed in the business community. Comparing China to Indonesia, for example, former Vice President (and prominent businessman), Jusuf Kalla, recently observed, 'China's strength is that it can plan and implement. Our system, which is too democratic with too much individual freedom that often disregards the rights of others, has made it difficult for us to build infrastructure … As long as individual right is above public responsibility, we will not progress... That's the only problem we have now' (Suparno 2007).

In situations where the problems of dealing with corrupt officials and judges or financial and banking sectors without distinction between borrowers and lender, these can be offset against the potential bonanza offered by the capture of rents as illustrated in the financial feeding frenzy that directed huge flows of funds into increasingly speculative Asian markets in the years preceding the Asian economic crisis (Wade 1998; Kristof and Sanger 1999). Such risks can be lessened where they are offset by hedging through complex derivative instruments and by the direct support of government Import Export banks and insurance providers and where the International Monetary Fund (IMF) might be expected to come to the rescue, bailing out imprudent investors rather than allowing them to face the consequences of bad decisions. It is ironic that one editorial in the free market *Asian Wall Street Journal* characterised the IMF as nothing less than a form of socialist international (1997).

Concerns by development agencies to reform 'bad governance' or to attack problems of poverty may also be counter to other priorities within donor governments to keep intact the regimes that preside over these circumstances. Such regimes can provide the political muscle to eliminate political movements that are radical or social democrat in nature and challenge the market agenda even where they preside over poor development records and social repression. These priorities prevailed in the Cold War, where a range of anti-communist dictatorships in Latin America and the Middle East remained close allies of the West despite their poor development and human rights credentials. And in more recent times, concerns for development and governance reform contend with other priorities to mobilise allies as the struggle for global economic and political hegemony becomes more intense, particularly as China enters the arena. As security issues once again become serious competitors with reformist ideas there are shifts from multilateral to bilateral relationships in trade and legal jurisdiction (see Higgott 2004). Some Western governments have been quick to withdraw support from, or even to champion 'good coups' against, democratic governments that undermine existing geo-strategic interests or prove hostile to private investors. The ability to deliver real security and economic benefits to the US in particular, and to transform failed states into effective states, rather than capacity to deliver accountability and transparency in the management of markets, is clearly an important agenda for many donor governments.

Notes

i   See Unsworth's (2009) observation referring to conclusions drawn from research by ODI.

ii   James Dorn (1993: 601) of the Cato Institute has argued that, 'Democratic government is no substitute for the free market'. Hayek himself saw the ideal market state as one that essentially guaranteed individual property rights and contracts, and that might not be a democratic state (1967: 161).

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4 Driving Development Effectiveness: Donors' politics without opposition

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Introduction

Challenges to the liberal consensus on governance in the developing world have attracted much attention, particularly in recent years under the rubric of concerns about "development effectiveness". This has promoted new interest amongst international donors in political economy, as evidenced in research agendas increasingly focused on obstacles to change, such as the World Bank's study of governance reform "under real world conditions"; and those focused on levers of change, such as the British Department for International Development DFID's "drivers of change" approach. However, political economy insights have proved difficult for donors to operationalise and have yet to feed into substantial new departures in donor practice.

Donors' turn to political economy takes place against the backdrop of broader debates surrounding the international agenda for action set by the 2005 Paris Declaration on Development Effectiveness. The Paris Declaration asserted the centrality of such terms as "ownership" and "partnership" in developmental discourses, and this has been understood in sharply divergent ways by political analysts. Some consider the ownership agenda is too apolitical (Hyden, 2008a; Unsworth, 2009; Rosser and Simpson, 2009), while others see it as 'augmenting, and not undermining, established notions of good practice' (Armon 2007: 654).

One debate is whether the insertion of concerns for "ownership" and "partnership" into donors' relations with recipient government implies new relations of commitment from recipients or control by donors. Supporters of the ownership agenda consider it a matter of donors securing recipients' *commitment to* the implementation of policies and programs, which extends to recipients taking responsibility for implementation (Whitfield and Fraser 2009a: 3)[i]. Critics tend to see this instead as donors wanting more *control over* the agenda as a way of limiting policy choices on the part of recipient governments (Whitfield and

Fraser 2009a: 3, also Hayman 2009: 594). Thus, for Whitfield and Fraser, who has control is more critical than agenda contents and, indeed, how agendas are selected and pursued – through democratic, patrimonial or corrupt processes – because they consider 'the question of whether a society can minimise foreign influence over its policymaking is logically and politically prior to questions about the quality of internal democracy and about the content of policies themselves.' (Whitfield and Fraser 2009a: 5).

A further development with respect to the ownership/partnership agenda has been the emergence of the "new conditionality" critique. This has spawned a large literature on the politics of development practices which principally seeks to variously analyse technical processes as a form of coercive "biopower" (Duffield, 2007). Drawing on the writings of Foucault, this literature regards aid practices as comprised of myriad micro-technologies of discipline, which aim to reshape recipient agencies in accordance with donor rationalities (see, for example, Gould, 2005; Harrisson, 2004; Li, 2007). Where this succeeds, it is argued the result is to effect a depoliticisation of development by virtue of removing the bases for resistance within recipient states.

By contrast, our view is that international donors can be in less control of the development agenda than these and other authors suggest. Our point is not that donors generally disdain control; instead it is that they achieve it rather less often than is supposed as the political space for contestation over development agendas (and their implementation) remains rather more open than is claimed. Furthermore, we argue that the space for contestation of donor policies depends upon the way that aid money and policies function in the context of the local political economy. In countries where there is high aid dependence, for example, this may lead to technocratic elites internalising donor models, as in contexts such as Rwanda and Tanzania. Alternatively, different local political economies of aid may see a variety of context-specific strategies of co-optation, negotiation, manipulation and outright resistance. In our case studies in Southeast Asia, we found that international donors are less hegemonic and intrusive than is often portrayed; and the outcome of their intrusions, regardless of the ideology motivating them, is not always necessarily anti-poor and retrogressive, as the Foucaultian approach tends to predict [ii]. Therefore, we accept the premise that donors are working from – that political economy issues are critical to aid effectiveness – what we do not accept is that the turn has achieved a break with past thinking and practices. We are not alone in stating that the donors' turn to political economy has been inconsequential (see

Unsworth 2009); where we make a contribution is in highlighting that the problem lies with donors' conceptions of development as a public good, essentially uncontested and objectively known, and opposition as temporary, compensatable and open to "partnerships".

Unsworth rightly indicates the important intellectual and institutional barriers to donors acting more politically; however, we reject her view that development happens when the right political incentives are created (Unsworth 2009: 889-890; also Williams et al. 2009). Instead, we argue political economy analyses need to understand conceptions of development or "good governance reform" as ideological constructs emerging from struggles between coalitions with different, structurally determined, material interests and resources of power. Hence, the analyses of the prospects for particular development projects need to proceed by carefully identifying the historically-determined interests, distributions of power, and processes by which alliances – not "partnerships" – between key groups are formed and maintained. In this way, 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.

This paper is written in four sections. In the first section we explain the nature of the turn to political economy that donors and their consultants are now actively debating. This is followed by two sections on the attempts to operationalise political economy analyses, the latter directly critiquing three donor documents. Finally, we suggest an alternative conceptual typology for repoliticising development; one in which the reform orientations of participants are considered centrally.

Capturing donors' turn
With greater international donor acknowledgement of the political dimensions of aid effectiveness, political economy analyses are being viewed as an important means of achieving improvements in development outcomes (see SIDA 2006, World Bank 2009, DFID 2009). In this section we outline how this turn is generally explained before proceeding with more directed coverage of the conceptions of politics involved. The literature we refer to is not limited to the publications of donors themselves, but includes

contributions also from a number of institutes and think-tanks with policy and research links to bilateral and multilateral donor agencies. This means there is not only a degree of institutional overlap arising from individuals crossing over as consultants and staff, a number of the same individuals are also critical observers of the turn, able to reflect back in their institutions on what is occurring. As a result, the discussion below serves to cover the common themes defining the turn as well some of the more outlying views, not reflected in donor documents, but which indicate what is being debated more fully.

International donor's turn to political economy analysis is most often expressed as the desire to identify the "underlying" causes of the outcomes from their interventions (see Dahl-Østergaard et al. 2005: 19, Booth et al. 2005: 2, Cammack and Thompson 2008, World Bank 2009). Where attention had been on poor governance, faulty institutions and or lack of "political will", the intention now is to "go beneath the surface" of these to account for these. In this, no one framework of analysis is agreed upon and recommended; mostly there is some variation on the conceptual mix of "actors, institutions and structures". A second common theme is that donors are wanting to identify not only the obstacles to change, but also the positive levers or "drivers of change' (World Bank 2009: ix, DFID 2005).

There is rather more critical comment on what this means for donors' practices, generally the need for them 'to start with the country context, not with a specific policy agenda' (DFID 2003: 11). Criticisms of technocratic approaches to governance reform are a clear influence here; both with respect to the "straight to Weber" concern to replicate international best practice and the focus on formal institutions, resulting in too little attention to the informal processes that can explain how political actors actually behave and how political systems really work (Hyden 2008b, Unsworth 2006). Whilst for some, this suggests a need for interventions to be adapted to local/country circumstances, for others it suggests more – that the local should be a source of policy and programming initiatives. For example, to quote Hyden:

> To date, donor agencies have acted as if the glass is half empty. The challenge has been to fill the void with ideas and practices that have worked elsewhere. What if the glass is viewed as half full and the challenge is to fill it by improving practices already on the ground in Africa? (Hyden 2008b: 1-2)

However, starting with the country context is not the same as a political approach as it can suggest adaption to the status quo. Booth and his colleagues are more concerted advocates of donors as behaving as brokers of change. Their starting point is there are often discernable opportunities for reformers 'to use strategies and tactics' to shape development outcomes (Buse and Booth 2008: 3, Booth et al. 2006). From this they conclude donors need to allow greater space for 'adaptive' learning and be much more flexible and responsive in their planning and financing of projects and programs (Booth and Golooba-Mutebi 2009: 25). In short, what these researchers have more in mind is that development is a political process, albeit one they view as negotiable.

Going a step further, it is signalled that politics is not something to be avoided; as the essence of development is that donors have to 'deal with it' (Booth et al. 2006: 1, Unsworth 2009: 887). As Grindle put it before, it is necessary to 'accept politics, not as a spanner in the economic works, but as the central means through which societies seek to resolve conflict over issues of distribution and values' (Grindle 1991: 45). Thus, Edelmann talks of using 'positive language' (Edelmann 2009: 74) with respect to political factors. By this he means, instead of thinking that politics is always in the way of things, there is a need to acknowledge the legitimacy and rationalities of political behaviours in their own terms.

We can see then that the literature on donors' turn to political economy offers plenty of pointers to the implications for development practice. However, despite the urging to do more with political economy analyses, politics continues to be conceived of in largely stunted and instrumental terms. In the next section we indicate this in reviewing the various attempts to operationalise political economy. Overwhelmingly, either political economy insights are used to adapt to the status quo – and essentially avoid politics – or, alternatively, they are viewed into "factors" in the current tool bag of donor interventions (Booth et al. 2006, Chhotray and Hulme 2009: 45).

Operationalising political economy

Broadly it is accepted that international donors have found it particularly difficult to operationalise political economy; to translate research insights into actionable strategies (Warrener 2004, Dahl-Østergaard et al. 2005: 23-25, Scott 2007: 89, de Haan and Everest-Phillips 2007, Bird 2008, Unsworth 2009, Chhotray and Hulme 2009: 45). As Unsworth

makes clear, donors' approaches have remained largely technocratic and 'there is little evidence that it is prompting them to question their (mostly implicit) assumptions about how development happens' (Unsworth 2009: 884).

First, political economy analyses are said to enable international donors to *trim their ambitions* for reform to better align them with what is "feasible" and "realistic" in different contexts (World Bank 2009: 12-13, DFID 2009: 150-17). As Unsworth (2009: 887) observes, 'a common experience is that political analysis can prompt country programme managers to adjust their expectations, review overall priorities, and make changes in project design and aid modalities' (Unsworth 2009: 887). The trimming can apply to goals, timeframes and expectations of a clear result (Booth et al. 2006: 60, Dahl-Østergaard et al. 2005, de Haan and Everest-Phillips 2007: 12). Political economy analyses are considered to equip international donors with the knowledge to better understand the risks of failure they face and to cut their cloth accordingly. In this light, the donors are in fact aiming to avoid political engagement by sticking to working within the status quo.

Alternatively, political economy analyses are operationalised as a way to equip donors to identify leaders or "*champions*" to be the drivers of change. Williams et al. describe these as individuals within political and bureaucratic elites who are 'motivated by considerations of the greater public good' to 'play a pivotal role in promoting change'(Williams et al. 2009: 28). However, they warn such individuals are not necessarily powerful; they may be committed but ineffective. Also, they may 'often have multiple agendas and issues' and so 'their needs, incentives, and constraints' need to be fully understood (World Bank 2009: 47). The focus on elites is significant: de Ver (2008: 49) includes leaders from business and civil society, but her attention to "coalitions" is still limited to the interactions among them and not between them and the marginalized poor, for example.

More than any other, there is a view that political economy insights can be operationalised by efforts directed at changing resource and or political *incentive structures* (Landell-Mills et al. 2007, Booth 2008, Unsworth 2009, Chhotray and Hulme 2009: 41, Williams et al. 2009). Incentives are in this respect the "carrot" alternative to the "stick" of conditionality: both are considered to encourage desired behaviours. Whereas "champions" are essentially already made, here the intention is to create and shape new reformers. This can be allied

with the concern to identify the winners and losers from change, to ensure that the losers are sufficiently compensated to avert their resistance (Meier 1993: 387).

However, despite there being wide acceptance of the role of incentives as drivers of change, there is little actual analysis 'of how incentives and political processes operate in practice' (Landell-Mills et al. 2007: 5, also de Haan and Everest-Phillips 2007: 10). Williams et al. (2007) are critical of attempts to use only financial leverage, arguing for longer term institutional changes to support actor behaviour; yet they do not abandon incentives, all they do is source them differently, in institutional frameworks. From our perspective, it is likely that the incentives international donors can offer are one or more among many that the targeted recipients face. Moreover, donor programs are often designed to link with – and promote – the very capitalist development processes that can provide other, "perverse" incentives not to participate or comply (by, for example, providing alternative revenue sources). It is one thing to examine the political economy of particular, "intentional" (planned) development processes; it is another to consider the political economy of related, "immanent" (structural) processes, and how these intersect with the planned interventions (see Cowen and Shenton 1996: 4).

The thinking on incentives is linked to the 'principal-agent problem' in rational choice theory (see Nunberg et al. 2010). This is 'the problem of motivating one party to act on behalf of another' (World Bank 2009: 51): the issue being how to get one actor (the agent) to behave in ways that satisfy the preferences of another (the principal, the donor). Critically, because individuals are assumed to act according to their rational calculations of the best way to enhance their utility, they are thought to be best motivated to change by personal inducements. Linking incentives to utility maximisation does not enable understandings of the political process in terms of inequalities of power and ideology (Whitfield and Fraser 2009b: 36, Grindle 1991).

Alternatively, political economy analyses are said to enable better *communication* strategies. DFID reports that political economy analyses have improved 'the quality of dialogue and engagement with partners' (DFID 2009: 18). Communication strategies are to be directed at reformers, opponents and the public in general to facilitate "voice", deliberative dialogue and coalition building (Odugbemi and Jacobson 2008). In World

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Bank terms, information campaigns and intensified dialogue with key stakeholders can be drivers of change in that they 'deepen the understanding of reform issues and/or to win support' (World Bank 2009: 20). Otherwise, the World Bank also refers to the need for 'information and communication campaigns' (World Bank 2009: 21) in which international donors act as "*honest brokers*". There is similar talk in relation to *coalition building* – wherein donors work to develop linkages between different pro-reform individuals and or groups to aggregate, support and embolden the drivers of change. For example, Booth and Golooba-Mutebi speak of 'another kind of facilitation, namely the brokering or negotiation of difficult change processes, turning potential realignments of interest into actual realignments' (Booth and Golooba-Mutebi 2009: 21); there are 'conditions in which an intelligent third party can expect to play a useful role, as an enabler of constructive realignments' (Booth and Golooba-Mutebi 2009: 21) between different actors. Both the communication and honest broker approaches stress the contingencies in political alignments, but again with rather less attention being paid to the inequalities of power and ideology.

Finally, there are attempts to operationalise political economy insights through donors acting to 'build demand' for change among citizens (AusAID 2007, Haley 2008). This is generally conceptualised as working 'outside the state to build progressive change coalitions across civil society, the private sector and the media' (DFID 2009: 6). Recently, AusAID has acknowledged that its own responses to the Paris Declaration and the Accra Agenda for Action have focused on 'ownership' and 'harmonisation' (AusAID 2009: 1-2) with partner governments and not with in-country non-state actors. Accordingly, the agency is now working to see how 'engaging with civil society can help extend "ownership" beyond central government' (AusAID 2009: 1-2). In this way, political incentives are operationalised in ways that recast the principals as citizens who can (or ought to) wield the weapon of accountability to demand good development from their agent politicians (who want to be re-elected) (World Bank 2009).

Compared to the trim ambition response above, this is clearly a more proactive and indeed apparently political response from donors. However, a question is what demands are to be supported? Are we observing donors attempting to build new, previously untapped support for their own (struggling) programs, or are they looking to support (more concertedly than in the past) the "organic" demands of existing social movements? The gap between these

need not always be great, still it is useful to compare the "build demand" response to solidarity actions. Solidarity means engaging with the movements of poor and marginalised people because it is the authenticity of their demands, not the technical correctness of their solutions that makes them authoritative. An important point is that solidarity entails *taking sides* in historical conflicts that are as well often deeply ideological. By contrast, to what extent does the "build demand" response require that civil society organisations, for example, trim their own reform ambitions to comply with donors' expectations for the resultant social order? The power relationships in these two are very different. Currently, most official development "partnerships" with civil society organisations are directed at the effective implementation of the donor's program.

Critiquing the turn

In this section we elaborate on what is missing from the political economy turn of international donors. In bringing politics back into development, the donors have not radically transformed their notion of development, but have emptied the concept of politics of its meaning and resonance. This is achieved through the retention in donor discourse of the idea that development 'is a public good' (Hyden 2008b: 3). The precise nature of this public good is affected by context to be sure, but it is objectively identifiable as operating in the public interest all the same. This conception of development is antithetical to an understanding of development itself as political. Hyden (notes, international donors have 'tended to take authority, consensus and the pursuit of collective goals as givens. … [They have] acted on the premise that there is a "negotiated order" between equal partners'. He adds, 'The alternative [view] that collective goals may be the negotiated outcome of conflicts between parties holding different degrees of power is never considered' (Hyden 2008a: 262-63).

Evidence for this conception of politics can be found across a range of donor documents. Here we focus on three: *Building Demand for Better Governance: New Directions for the Australian Aid Program* (2007), *Problem-Driven Governance and Political Economy Analysis: Good Practice Framework* (2009), and *The Politics of Poverty: Elites, Citizens and States: Findings from Ten Years of DFID Funded Research on Governance and Fragile States 2001-2010* (2010). Although these documents are clearly not representative as a sample, they were selected following a wider review of numerous documents produced

by bilateral and multilateral aid agencies. The first two, produced by the World Bank and AusAID, exemplify three broader patterns identified in donor approaches to political economy: namely, a reassertion of development as a public good, objectively identifiable; a consequent view of opposition as temporary and compensatable rather than structurally and ideologically determined; and the use of a variety of framing strategies to avoid awkward realities that threaten this view. Such strategies include: emphasis on the "local" at the expense of the national; emphasis on service-delivery rather than, for example, redistribution of resources; an understanding of "structural factors" as primarily concerned with geographical realities and resource endowments rather than as related to issues of economy or class; and concentration on citizens as clients of public services rather than as contenders for control over state institutions and resources. These emphases shore up a conception of development as essentially technical and uncontested, allowing an embrace of politics as a bargaining process rather than as a struggle aimed at reforming entrenched structures of power.

In the World Bank's formulation, two recurring concepts suggest the assertion of development as a public good. The first concept is that of 'progress' (World Bank 2009: 10): the utility of political economy analysis is that it allows analysis of situations 'where political economy factors appear to prevent progress that is otherwise considered possible from a technical perspective' (World Bank 2009: 10). The unquestioned assumption that the World Bank policies equate to progress, objectively measured from 'a technical perspective' is maintained despite awareness that opposition may emerge from 'underlying drivers such as the relationship between stakeholders, available rents and how they are distributed, interests, collective action dilemmas and incentives' (World Bank 2009: 9-10). The Bank acknowledges that there may be opposition to reform: 'many of the reforms ... involve changes to power relations, rent-seeking approaches or to ingrained incentive structures' (World Bank 2009: 11). Yet these are never problematised in terms of the assertion of "progress": the Bank's framework proceeds from the assumption that the Bank's account of "good governance" is *unquestionably for the good of all over the long term*. This has an impact on the way that the Bank conceives of opposition itself. Opposition cannot be regarded as serious or legitimate, even though it may be understandable in cases where particular groups bear an unfair proportion of the costs of development. Yet this is regarded as either temporary or compensatable, given the overall dividends from "development". The idea that development may attack the material

interests of certain classes in society in order to benefit others is never taken seriously. Opposition is reduced to coordination problems associated with the difficulties of transition, rather than structurally and ideologically determined conflict. Consequently, structural analysis in World Bank documents is never fully elaborated: where it occurs it focuses mainly on geographical issues such as distributions of natural resource endowment. There is no concern to unpick structural inequalities of dominance and subordination within society, or to analyse how these might be entrenched or attacked by development processes.

For AusAID (2007 and 2009), equally, the emphasis on development as, ultimately, good for everyone has led to antagonism towards "oppositional" groups. AusAID uses the concept of "partnership" to frame a different sort of politics, associated with the building and coordinating of networks of governance rather than with struggle between dominant and subordinate groups. AusAID defines partnerships as 'strategies that increase links between local communities, local government and civil society in the planning, delivery and performance assessment of local services, or plans to meet other local development challenges' (AusAID 2007: 7). This range of strategies can be used, it is asserted, 'to develop collaborative rather than oppositional relationships with government on various issues' (AusAID 2007: 7). Indeed, partnerships are intended to be based upon 'mutual respect, transparency, shared planning and decision-making, co-ordination and support' (AusAID 2007: 5). Rather than constituting a process which is essentially contested and contentious, producing new relations of domination and subordination, development is now regarded as largely uncontroversial and "of mutual benefit". The possibility of structurally disadvantaged groups existing in persistent relations of subordination vis-à-vis elite actors – whether state, non-state, or community elites – is precluded. Instead, opposition is reframed as the pursuit of self-interest at the expense of the public interest – hence the inordinate focus on patrimonialism as a form of rule that is antithetical to this. Opposition, even in the classical liberal form of assertive scrutiny of the state and rights based resistance to expansions of state power, can therefore be largely dispensed with.

AusAID's model of partnership runs the risk of imposing forms of collaboration that disguise and marginalise conflict, rather than allowing it political expression. Indeed, AusAID makes the ability to 'have a respected and credible voice' contingent upon the ability to engage in approved forms of partnerships, rather than taking a 'blunt oppositional

approach' (AusAID 2007: 2). This narrows the scope of acceptable forms of opposition to well within the rather broad limits envisaged by classical liberalism. It further raises the prospect of replacing liberal institutions with new forms of network governance which, via partnership relationships backed by donor funds, expand the reach of the state far more widely than before. For donors, admitting the legitimacy of opposition entails undermining the authority of technocratic development models. One strategy for ameliorating this problem is to narrow the scope of development, and this has been achieved by two means. First, the fashion for decentralisation has prompted a narrowing of the spatial horizons of development. Second, a shifting of the focus of "development" from economic growth to provision of services allows a narrowing of the conception of the state-society relationship. The assumption is that the major mode of engagement between citizens and governments is as consumers of services. That citizens should be empowered to assess the performance of those services, is central to the new public management model associated with the neoliberalisation of states in the West from the early 1980s. This is significant, since drawing upon the neoliberal, market-based model of community relations in fact obviates the need for the kinds of structural analysis that "demand for good governance" approaches initially posited. Once the citizen has been tacitly recast as a consumer of services, "empowerment" becomes oriented around mechanisms for complaint or consultation about a restricted list of government activities (Jayasuriya and Rodan 2007). While the stranglehold of pernicious, "rent-seeking" and "patrimonial" elites remains to be tackled, there is little else on the liberal horizon for politics to deal with, except the day to day brokering of minor conflicts.

Combining these two trends and pitching development as a process of service delivery which occurs at the "local" level within "communities" makes it easier to assert that it is also consensual. Reliance upon the "community" and the local level has the effect of reducing the scope of politics to the level of the "village" while framing out larger scale, specifically structural processes of transformation. Of course village politics can be and often is contentious and stratified; however, it is also often very well policed and poorly networked internationally, so that practices of opposition or processes of exclusion are less overtly contentious. Looking specifically at service delivery also reduces the extent to which even intra-village politics interferes with the assumption of fundamental consensus. At the village level, most services – e.g. health, education, access to justice, use of the vote (AusAID, 2007: 4) – are externally provided goods; their quality and scope are rarely the

subject of intra-village contestation unlike, say, regimes of land ownership and resource control.

These discursive strategies allow the assertion of a "political" approach to development which in fact leaves almost entirely intact a regime in which donor priorities are imposed onto recipient communities and governments in a manner highly reminiscent of conditionality. Use of the term "ownership" does little to disguise this: although it features heavily in contemporary aid discourse, it is rarely used without ambivalence. For AusAID, a key concern of governance programs is '*building* the demand' for good governance (AusAID 2007: 3, emphasis added), suggesting that intervention is required to orient community action to priorities identified by donors. Elsewhere, however, the document specifies that local priorities 'may not match donor-identified priorities' and that '[l]essons from past experience highlight that when external actors identify these issues, they risk not only lack of local interest and ownership, but also legitimacy' (AusAID 2007: 4). The World Bank shares the same ambivalence towards ownership as the AusAID document. Thus, the Bank comments: 'Because feasible solutions are sensitive to the political economy context, they should in principle be more compatible with country ownership a key principle of the development effectiveness agenda' (World Bank 2009: 12). Yet, as with the AusAID document, the preoccupation is with 'building support' (World Bank 2009: 15) for pre-existing World Bank agendas, and much discussion is devoted to the utility of the analysis for decisions and options for "the team" and for the "reputational risk" of the Bank (see World Bank 2009: 10).

The DFID document, *The Politics of Poverty,* goes much further towards reinvesting the politics of development with ideas about structurally produced inequality and collective struggle. In synthesizing ten years of research, DFID reports: 'Research has shown that political context and process is central to shaping the way politicians and policy makers decide for or against progressive changes that can deliver legitimate, capable, accountable and responsive states' (DFID 2010: 5). The assertion of "progress" is associated with 'the role of contestation and bargaining between the state, elites and citizens in building the public institutions that deliver development' (DFID 2010: 5). It is important to note that contestation and bargaining remain associated with means, rather than with ends. "Development" remains to be "delivered" rather than constructed through political action.

However, in the report, a key concern with "the political settlement" allows attention to structural inequalities embedded in political institutions that maintain the dominance of elites at the expense of subordinate groups.

Consequently, DFID's agenda for rethinking development allows much more emphasis on struggles for power among unequal contenders than either AusAID or the World Bank is prepared to admit. DFID acknowledges the need to promote "active citizenship" whereby citizens develop as actors, capable of claiming rights and acting for themselves' (DFID 2010: 52). Furthermore, the development of citizens as actors is regarded as requiring the forging of "broad coalitions" which promote changes through 'contention and contestation – both inherent in how they are framed and in how they are fought' (DFID 2010: 55). In regarding contentious coalitions as drivers of change, DFID explicitly challenges 'approaches to participation and civic engagement, which reduce such processes to technical solutions, or to notions of and processes of "national ownership", achieved through non-contentious consultation and dialogue – but which veil vast chasms of differences in power and interest' (DFID 2010: 55). DFID regards the mere provision of state-sponsored space for participation as insufficient to challenge such inequalities: the mobilization of 'broad-based coalitions' on their own terms is required (DFID 2010: 64), and this should apply to ex ante contention over policy as well as ex-post contention over the quality of services delivered (DFID 2010). This leads DFID to an understanding of development which requires collective action to challenge dominant power relations.

In this vein, DFID rejects AusAID's appeal to the "local community" as a means of avoiding contentious politics. Indeed, the DFID report specifically asserts that decentralised institutions are 'no more likely, in and of [themselves] to be more accountable' (DFID 2010: 47) noting that local politics is just as elitist as national politics, and that decentralization can be used to shore up national level inequalities, rather than to undermine them.

However, even in DFID's relatively radical formulations we see certain restrictions imposed. First, DFID persists in viewing collective struggles as something that need to be understood in order for donors to achieve their goals in promoting change. For example, the report notes with respect to fostering coalitions for change that 'strengthening organisations that are on the margins of the network and have few relations to the state is

likely to have limited impact. On the other hand, strengthening those central to the network and well-connected to the state is likely to produce far greater impact'. DFID concludes from this 'the need for some caution, especially on the part of external organisations, about their ability to engineer quick institutional fixes' (DFID 2010: 70). While the caveat is well-made, it is only relevant if collective action is seen as an instrument for "institutional fixing" rather than as an end in itself, in terms of challenging power relations in society.

Similarly, in its concluding chapter, DFID notes that outsiders have far less influence over local development processes than is often assumed' (DFID 2010: 92); yet again, this statement is delivered as a warning rather than as the starting point for rethinking the purpose and nature of "development".

Furthermore, throughout the report, key terms such as "exclusion/inclusion," "mobilisation" and "legitimacy" are substituted for a careful analysis of different types of coalition or collective action. The report claims that 'capacity to mobilise supporters' is essential for effective rule, and that this capacity flows from 'social legitimacy' (DFID 2010: 17). However, in this section of the report, legitimacy and mobilisation are seen as a function of institutional design rather than as a function of distributions of power achieved through struggles between elites and masses. This, arguably, glosses over the particular dynamics of political action. Although later in its report, DFID flags the need for broad-based coalitions to undertake collective action, these are regarded in terms of securing policy change rather than as fundamental to the political settlement itself. As such, the opportunity to connect the achievement of policies with the redistribution of power in society is lost: the latter is discussed almost solely in respect of founding moments in post-conflict states, while the former is related to questions of service delivery, losing the opportunity to regard development, even outside fragile and post-conflict situations, as a process of open-ended struggle and contestation.

The language of exclusion, inclusion and marginalisation opens up the prospect of discussing inequalities in distributions of power and access to resources, and making this fundamental to conceptions of development. Here, too, DFID goes far further than either the World Bank or AusAID in acknowledging persistent structural inequalities between groups. However, DFID limits its discussion of these largely to issues of ethnicity and

gender. Thus particular and salutary attention is paid to the need to remove structural obstacles to the empowerment and participation of women, indigenous groups, ethnic minorities, dalits and so on (see for example, DFID 2010. 17; . 34; . 44). Far less attention is paid to a broader understanding of class-based structures of domination, which would make the politics of struggle a far more central and challenging problem for donors. As it is, these elisions allow a conception of the politics of development which requires a redistribution of power at the margins, to be sure; but in the interests of legitimising elite settlements at the centre.

Taking the repoliticisation of development entails reconceptualising politics as a struggle between coalitions, not merely at the margins, but at the centre; and allowing conceptions of development to be articulated as an outcome of this form of contention. Political economy analysis thus needs to understand conceptions of development or "good governance reform" as ideological constructs emerging from struggles between coalitions with different, and structurally determined, material interests and resources of power. We employ the term "alliances" rather than "partnerships" as a means of emphasising the contingent nature of political coalitions, and their formation as an effect of the interplay of structurally determined interests, distributions of resources, and contending ideological positions. Analysis of these allows development outcomes to be thought through, not merely as the extent of adherence to or "ownership" of liberal norms, but as part of an ongoing process of struggle for control over the distribution of power and resources in society. For donors, this has the added value of giving emphasis to the nature of contending groups and their processes of formation; the stability or otherwise of alliances over time; and the ideological underpinnings of conceptions of "development" that are being contested.

From this perspective it makes sense to distinguish between, not only the constituencies that are "for" or "against" a particular project, but between the long term and short term interests of different groups more broadly. Short term interests may or may not broadly align with project aims; long-term interests are more concerned with an overall perception on the part of interested actors regarding ways in which strategies for maintaining domination or contending for power will be affected in the broader sweep of change associated with neo-liberalisation, globalisation and donor intervention. Understanding long term ideological imperatives can inform a political debate between donors and recipients that goes deeper than the sterile language of ownership and incentivisation.

Toward a Typology

As a starting point for such analysis, we suggest a research agenda for political economists working in development contexts which begin by elaborating questions of how ideas of reform emerge from struggles between and within alliances of reformers and opponents. The alliances forged around reform, we contend, are not "partnerships" but the stuff of politics itself. As such, reformers themselves, in relation to a particular reform agenda, can be categorised into idealists; pragmatists; and opportunists (see Table One below). Importantly, reformers (and opponents) may or may not have official responsibility for the reform's implementation. Rather than look to who has official, institutional responsibility and seek their commitment or "ownership", we suggest that a broader determination of reformers and opponents provides greater clarity about the interests and power relations involved and, also, about the nature of pro and anti-reform alliances and how they might be understood and maintained or countered. Alliances can be disaggregated into two subcategories: tactical alliances, based upon conceptions of short term instrumental gain; and dedicated alliances based upon ideological convergence around particular conceptions of reform (see Table Three below). Similarly, alliances against reform can be disaggregated into different types of opposition. We identify three categories: wreckers, who directly oppose reform as antithetical to short and long term interests; obstructers, who may be uninvolved in the short term in the particular reform, but whose interests and position, over the long term, form part of the overarching structures that idealists seek to transform; and recalcitrants, whose interests are tangential to the reform process, and whose passivity is a drag on reform efforts. Short term tactical or long term dedicated alliances may form between these different subcategories in order to oppose reform efforts.

A further category of actors is also significant in analysis of reform prospects – namely gatekeepers (see Table Two below). These are actors who hold power over the issue area and can facilitate or block reform action. This group is worth specific attention because, regardless of other interests that might come into play, maintenance of the gate keeping role is likely to form one of their key concerns. The role of gatekeepers is significant in considering how an interest in maintaining or altering long term distributions of power over policy processes is a key determinant of ideological convictions in particular policy areas.

Reformers (in relation to a particular reform agenda)	*Idealists*: interested in reform in so far as it advances long term goals of social transformation.	Form dedicated alliances only with ideologically likeminded actors; likely to reject tactical alliances.
	Pragmatists: have long term goals of social transformation but also consider short term gains significant.	Form both dedicated and tactical alliances
	Opportunists: have short term goals of self-interest; long term goals unrelated to reform agenda. Hence commitment is contingent and tactical.	Form tactical alliances.

Table One. Types of Reformers

In addition, other key actors are as follows:

Gatekeepers	Hold power over the issue area and therefore need to be onside in some way.	Short term and long term goals may coincide with reformers in some respect, or not; but maintenance of gate keeping position is likely to be one of their objectives. May be drawn into tactical alliance, but the power they hold entails that they can withdraw at any time with little cost to themselves.
Opponents	*Recalcitrants*: oppose reform because they see no advantage in supporting it.	Interests tangential but their cooperation is in some way necessary if their recalcitrance is an issue.
	Wreckers: oppose reform because they regard it as operating directly against their interests.	Interests are directly affected, and they will attempt to form tactical alliances (e.g. with recalcitrants) or dedicated alliances in opposition.
Obstructers	Not directly involved in the reform process, but their interests and activities form part of the broader structures that make reform difficult.	Interests and goals are wider than the specific reform programme, and form part of the overarching structures that idealists seek to transform.

Table Two. Other Key Actors

A further step in constructing a typology for analysing the relationship between actors, distributions of power, and ideological approaches to reform, is to consider the power relations operating within alliances constructed around reform agendas. Co-operative alliances emerge among groups with broadly even distributions of power among themselves.

As such, changes in perceptions of interest or divergence in goals are likely to more swiftly result in a breakdown in the alliance. Controlling alliances emerge among groups with unequal distributions of power among themselves (see Table Four below). Consequently, they may more easily maintain outward shows of stability even when under stress; but divergences in interest or breakdowns in common perceptions may cause the emergence of subversion from within. As asserted by a number of political economy analyses, the degree of formality of these alliances may be highly varied, from contractual or written agreements to loose groupings of support.

Having disaggregated reformers, we disaggregated their alliances further. These alliances are *cooperative*:

	Formal	**Informal**
Dedicated	NGO or political party coalitions; long term programme funding relationships	Networks
Tactical	Some kinds of short-term coalitions; project agreements	Ad hoc movements; political deals involving accommodation and compromise

Table Three. Cooperative Alliances

These alliances are *controlling*:

	Formal	**Informal**
Dedicated	Co-optation (e.g. membership of an advisory board, encouraging the member to shift allegiances or modify aspirations over the long term)	Clientelism (e.g. promise of inclusion over the long term in a flow of benefits or informal rewards)
Tactical	Contractualism (e.g. one group is formally employed by another to achieve a particular purpose or legal or contractual obligations are brought into play to achieve compliance)	Coercion (pressure and/or inducements brought to bear to ensure compliance over the short term)

Table Four. Controlling Alliances

A crucial aspect of this kind of analysis is that it draws attention to shifts in distributions of power among and within alliances, and the effect of this on the ideological framing of reform agendas. As such, this typology is capable of sustaining a more nuanced analysis of fluid and contested situations than models based upon incentivisation of rational preference-pursuing

actors; or models based upon pragmatic replication of good-enough solutions. Analysis of the relationships between class structure, power, and ideology in the context of alliances of reform allows for richer appreciation of the way that strategies of contention are both constrained by context and continually evolving. As such, this approach allows a more truly political analysis of the ways in which reform coalitions emerge and subside, and, finally, a properly political analysis of the support role that donors can play in that process.

Conclusion

The political economy analyses that have become prominent in donor thinking over the last decade reflect, in our view, an astute, recognition of the centrality of politics to the conceptualisation of development and reform. However, donors have been unwilling to import an adequate conception of politics itself into their analysis, resulting in political economy approaches that have failed to offer new ways of understanding aid programming. In particular, there has been insufficient recognition that contention over development means and ends represents more than transitory conflict over temporary or compensatable costs and benefits attached to the mechanics of change. We argue for a richer conception of politics as comprising entrenched struggles between groups emerging as a result of structurally determined inequalities in the distribution of power and resources within society.

Notes

i   As these authors point out, it is obvious here how "principal-agent" dilemmas feed into this concern

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5 Good Governance Reform in Cambodia

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In general, the quality of governance in Cambodia is regarded by international aid donors as poor. Since the end of the Cold War, different aspects of governance have been a key concern of Western aid donors hoping to improve the country's political stability and its development performance. Consequently, in the context of heavy dependence on external aid, Cambodia has undergone twenty years of reform programmes aimed at rebuilding the state and rehabilitating civil society along the lines of liberal models. However, the record has been mixed in terms of results.

Successful integration of Cambodia into the regional economy from the mid-1990s led to spectacular rates of growth during the years of boom from 2002 to 2008, fuelled largely by regional investment from Japan, China, Korea and South East Asian neighbours. However, Cambodia remains a poor country: the economy is dominated by a poor subsistence sector and growth has been narrowly focused on urban garment factories, a tourist industry surrounding the ruined temples of Angkor, and large agro-industrial plantations established in remote areas. Political development has been equally skewed. In the years since the United Nations Transitional Authority in Cambodia organised elections that were envisaged as setting Cambodia on the path to democracy, there has been a dramatic resurgence of the dominant Cambodian People's Party (CPP). The dominance of the party over the state takes the form of networks of politicised allegiance within ministries, local government, the armed forces and public services, which are effective at excluding opposition supporters from access to government jobs and contracts, and from benefit from state development projects. At the same time, international efforts in the 1990s to foster civil society in Cambodia as a key plank of international democracy promotion strategies have faltered. Since the 1960s, decades of war, intervention and upheaval had constrained political space for contention. Although thousands of NGOs have been established in Cambodia since the formation of civic associations was legalised in 1992, political space has again closed down significantly from a high point of contestation around the turn of the century. Strategies of intimidation,

including politically motivated assassinations of trade union leaders, defamation lawsuits against human rights activists and journalists, and police attacks against protests and demonstrations, have severely inhibited freedom of association and expression over the past decade.

Donor emphasis on the promotion of electoral democracy, human rights and political freedoms in the 1990s gave way, following the electoral victory of the Cambodian People's Party in 1998, and the shock of the September 11th attacks in New York in 2001, to a new approach comprised three main foci: stability, improvement in service delivery and improvement of the business environment. The first focus, stability, was largely achieved from the end of the 1990s as the CPP's emphasis on security and public order successfully ended the war. The second two planks were to be achieved through an ambitious programme of governance reform, comprising judicial and armed forces reform; reform of public administration and systems of public financial management in the Ministries; and devolution of both power and functions to reorganised subnational governments. Central to these reforms was the cross-cutting issue of corruption regarded as compromising public sector reform efforts, undermining attempts to promote better services, and problematizing the business environment in a manner likely to undermine economic growth. This approach to governance reform both emerged from and was enshrined in donor and government documents, including the two *Governance Action Plans*, produced in 2001 and 2006; the National Poverty Reduction Strategy produced in 2002; the government's flagship *Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia*, Phase 1 and 2, produced in 2003 and 2008; the *National Strategic Development Plan 2006-2010,* produced in 2005; and the *National Strategic Development Plan Update 2009-2013*, produced in 2008. These policy platforms have foregrounded the need to improve governance as a means to strengthen economic growth and promote development, reflecting concerns about governance that had been articulated since 1998 by Cambodia's western donors. The reform programmes envisaged in these analyses and policy documents were subsequently translated into detailed implementation plans, with complete with benchmarks and monitoring indicators. An apparatus of joint donor-government technical working groups was created for each area of reform, responsible for monitoring the progress of implementation.

Progress on implementation has been highly variable, suggesting that parts of these plans, at least, are formulated by the Cambodian government with an eye to stimulating flows of aid

rather than actually guiding reform policy. For example, Cambodia's performance with respect to corruption has been abysmal. In Transparency International's Corruption Perceptions Index, Cambodia ranked 158th out of 180 in 2009, falling between Yemen and the Central African Republic, a slight improvement on its 2008 ranking of 166th. (Transparency International, 2009). The update on the National Strategic Development Plan for 2009-2013 articulates a liberal position close to that of the World Bank, in relating corruption to the quality of the business environment, stating, "For RGC, the elimination of corruption is a high priority because it is an obstacle to achieving its goal of sustained high growth by fostering private sector development in order to reduce poverty." (Royal Government of Cambodia, 2009: 17).

However, the nature of corruption in Cambodia is closely connected to the political economy of efforts to achieve peace and stability over the past thirty years, and to the growth of the private sector as the foundation of politicised rural development programmes. The analysis of governance reform efforts in Cambodia presented here focuses on the nature of this political economy and the political forces thrown up by the transition from war to peace and the rapid integration of Cambodia into the booming South East Asian region after 2000.

The Political Economy of Statebuilding in Cambodia

Following the Vietnamese invasion in 1979 and the overthrow of the Khmer Rouge regime, the new Cambodian government, found themselves building a new socialist regime under the purview of Vietnamese advisors in a country where socialist ideology had become thoroughly discredited. Corruption flourished as a result of the discrepancy between Vietnamese and Cambodian government official promotion of collective farming and centralised control of prices and markets and the reality of a pragmatic slide into a shadow market economy in which ownership rights and distribution practices were facilitated by informal payments to disillusioned state cadres. In 1989, economic reforms were enacted to legalise these de facto arrangements. However, access to legal procedures in the context of an extremely violent and predatory state was more easily available to the wealthy and the well-connected, paving the way for processes of privatization that disadvantaged the subsistence sector of the economy, and the poor. Cambodia has shifted from having a remarkably equal distribution of wealth in 1989 when land rights were formally granted to the tillers, to a highly unequal distribution, particularly in rural areas, and particularly in areas of rapid

natural resource exploitation. The Gini coefficient for landholdings from 1989 to 2004 increased from virtually zero (perfect equality) to 0.63 – one of the highest levels of inequality in the Asian region. Since 2004, continued expropriation of rural land and violent mass evictions as well as a continued fostering of agro-industry through the award of large economic land concessions to firms has widened the gap still further [i]. In 2007, the Land Coalition estimated that one fifth of Cambodians were landless, and the poorest 40 per cent of the population occupied only 10 per cent of the land (Star Kampuchea, 2007: 3).

These figures suggest that in the course of the fifteen years since the United Nations elections in Cambodia, a rapid and drastic social stratification has occurred, entailing the dispossession of the poor by an emerging capitalist class. Significantly, this has happened alongside the consolidation of electoral democracy, and the resurgence and entrenchment of the Cambodian People's Party (CPP) as the dominant political party. The CPP for the first time gained more than 50 per cent of the popular vote in elections in 2008. The ability of the CPP to mobilize increasing levels of electoral support in a context of rising landlessness and worsening inequality may be attributed to the particular relations forged between the CPP, the state bureaucracy, the military and the private sector over the past twenty years.

During the course of the 1990s, following narrow defeat by the returning Royalists in the 1993 election, the CPP pursued a strategy of consolidating loyalty among key sections of the elite, specifically key individuals in the police and military, among defecting insurgent units, and in sub national administration. This was achieved through offering these individuals the opportunity to amass fortunes through participation in a programme of asset stripping, primarily with respect to Cambodia's forests and fisheries, mostly located in remote and insecure areas. The Royalist-led government had little control over these areas: such control as existed was by virtue of informal links via the networks of patronage and comradeship forged by the Cambodian People's Party during the 1980s. The CPP's facilitation of wealth accumulation on the part of key individuals in the military, the provincial administration, the customs service and police, and various line ministries across the country, via privatization of common resources and tolerance of high levels of corruption, smuggling and other illegal activities on the part of state officials, made these networks stronger at the same time as they undermined efforts by the Royalist party to stamp its authority on the government elected in 1993.

Following the CPP's election victory in 1998, the party pursued a different tack, using donor-sponsored institutional reforms to cement power in the hands of the central government and instituting laws over forestry and land which gave the central government better control over the award of forest and land concessions in remote parts of the country. As the economic boom began in the early 2000s, this enabled the party's leader, Prime Minister Hun Sen, to award significant tracts of land and forest to Cambodian tycoons and foreign investors prepared to support his, and his party's political platform. In return for preferential treatment, businessmen were required to make large donations to party-sponsored development projects across the rural heartland of the central plains, building schools, roads, pagodas and irrigation schemes. The lavish spending on these Party projects significantly outstripped state development budgets, and created a strong base of support for the Party in the most densely populated and electorally significant rural areas, particularly since it was clear that villages and individuals that voted for the opposition would be excluded from benefiting from Party-related largesse. However, it caused economic misery and political contestation in the peripheral areas where land and forest concessions were awarded, and in urban areas where the poor were evicted en masse to make way for shopping malls and hotels.

This political model, combining predation with neo-patrimonialism, has been successful in eliciting election wins and powering economic growth during the boom years, but it differs substantially from liberal prescriptions for good governance. The ability to elicit donations from businessmen and spend these on highly politicised development projects, specifically presented to the population as gifts from patrons that are expected to be reciprocated during elections, is dependent on the maintenance, by political party leaders, of absolute discretion over contracts, concessions and distributions of budgets. As such, it militates against the emergence of regulatory regimes that can preside over such functions as procurement, budget execution and development planning in the interests of transparency, fairness, and efficiency. An important factor in the success of this model of development is the weakness and disorganization of countervailing alliances. Experience elsewhere in Southeast Asia suggests that three likely sources of opposition to the emergence of a predatory elite of this kind: a politically assertive middle class and/or organised labour; a private sector that competes internationally and is not dependent upon the state for contracts and licences; and international pressure from donors and investors. In Cambodia, none of these potential

sources of opposition has so far proved capable of forging a solid political alliance capable of withstanding the resurgence of the CPP.

There are a number of reasons for this. First, during the Cold War, Cambodia suffered an unusual degree of destruction of civil society organisation. Every regime from independence onwards paid an extraordinary degree of attention to the rooting out of potentially dissident groups, and the imprisonment or summary murder of their members. This was facilitated by the articulation of a strident and paranoiac nationalist ideology which uniformly branded regime opponents *agents provocateurs* working for neighbouring countries bent on annexing Cambodian land. This rhetoric reached its apotheosis under the Khmer Rouge regime of 1975 to 1979, during which more than a million Cambodians died and all forms of independent social organisation including the family were targeted by policies of dissolution via forced collectivization. However, it is a rhetoric that was already familiar to Cambodians decades before the Khmer Rouge came to power, and still resurfaces during election campaigns in Cambodia today.

Because civil society organization was so severely repressed during the Cold War, post-Cold War efforts to revive it had little to work with. Contemporary Cambodian civil society organizations tend to take one of three forms: informal micro-organizations operating at village or commune level to organise sharing of communal resources; formal and professional non-government organisations, dependent upon international funding and highly oriented towards international development agendas; and ad hoc social movements which form to articulate the concerns or demands of particular communities at particular times, but which are generally quite fluid and temporary in their organization. The first of these kind of organizations have not developed political agendas, and in contemporary Cambodia tend to be the target of party benevolence and control. The second are formally independent of government, but most have a service-delivery mandate, in areas such as health care and education, which involves working closely with government to fill the gaps in local services. The nature of their relationship with government has entailed that these organisations, although occasionally advocating for particular policies in their field of expertise, rarely take a stance of public criticism of government or of governance processes. The third of these types of organization have been the target of renewed repression over the past ten years, including bans on public rallies and demonstrations; police attacks on picket lines and villagers defending their homes during forced evictions; roadside assassinations of leaders;

and use of defamation laws to silence influential national-level critics. As a result, despite repeated urban rejection of the CPP at the polls in every election until 2008, urban protest movements have withered over the past ten years, and both the urban middle class and the poor have failed to form organizations that can effectively pressure the government.

Furthermore, the development of the private sector has not led to pressure on the government to improve governance performance. The Cambodian business elite have almost uniformly emerged from the exigencies of the 1980s state. During the 1980s, state officials presiding over failed policies of collectivization and socialist production were in a position to facilitate and profit from practices of illegal private production and distribution, and particularly cross-border smuggling. Following the emergence of free market policies in the late 1980s and the rapid privatization of common resources and state assets that accompanied this, these officials legalised their businesses and set up companies which dominate the Cambodian private sector today. Some of the most prominent tycoons bankrolled particular battles or campaigns in the ongoing civil war, and in return were awarded state contracts and licences to monopolise particular types of imports. A key example is the Thai Bunrong company, whose president Teng Bunma in the 1990s boasted that he had paid for the government's successful assault in 1996 on the gem-mining town of Pailin. In return for this, Thai Bunrong, and other companies owned by Teng Bunma's children were offered a variety of contracts, including the monopoly on electricity supply to the town. Similarly, the Sokimex company of Okhna Sok Kong made a number of loans to the CPP to fund key political and military campaigns in the 1990s, and was subsequently able to buy the state-owned petroleum company on its privatization in 1996, and was awarded the monopoly on petroleum imports to Cambodia as well as the contract to be sole supplier of uniforms and pharmaceuticals to the Cambodian military, and a five-year contract to sell tickets to the tourist mecca of Angkor Wat.

Since the mid-1990s, foreign investors have also played an important role in the Cambodian economy, particularly in the garment manufacturing industry which before the global financial crisis accounted for 17 per cent of Cambodian GDP (World Bank, 2007a). The industry is dominated by investors from the region, particularly Malaysia and Taiwan. The Garment Manufacturers Association, formed to advocate for the interests of the industry, has a close relationship with the government, and has reportedly been only partially successful in

its backroom lobbying for government to exercise greater control over, for example, Customs demands for informal fees from garment manufacturing companies. However, for the Garment Manufacturers Association, as for other international investors in Cambodia, the CPP is able to offer other enticements: in particular, stability in a context where rioting and attacks on foreign (Thai) businesses occurred as recently as 2003; and control of the labour force. The labour force in the garment industry is highly unionised and in the early period of establishment of the industry strikes were a common occurrence. However, the CPP has managed to co-opt most unions, through a combination of patronage of pro-government unions and murder of anti-government union leaders, thus giving it a degree of leverage over garment industry employers. The Garment Manufacturers Association, consequently, has not emerged as an organisation that is likely to challenge the CPP over governance practices.

International pressure from donors has also been relatively ineffectual. Partly this is due to the inability of western donors to form a united front in pressuring the Cambodian government. Partly it is due to the difficulty of challenging a government which presents countless action plans and policy statements that conform to donor stipulations, and follows this with endless plausible excuses for inability to implement these. Partly it is due to the fact that since the early 2000s, Cambodia has received significant assistance and investment from China, which has little interest in promoting particular governance practices, and is much more interested in gaining leases on large tracts of land for the establishment of plantations.

The Failure of Anti-Corruption Initiatives

For these reasons, serious political alliances in support of good governance reform are hard to find in Cambodia, and efforts by international donors to forge them have often foundered due to the difficulty of finding local partners willing and able to engage in such struggles. The fate of a recent effort by USAID to promote a civil society advocacy campaign on corruption offers an example. In 2005 the US Agency for International Development, via the international NGO Pact Cambodia, began funding civil society activities to raise awareness of the impact of corruption, and encourage citizens' participation in anti-corruption activities. This led to a civil society campaign called the Clean Hands campaign, organised by a group of Cambodian NGOs calling themselves the Coalition of Civil Society Organization Against Corruption (CocSOAC). CocSOAC organised a number of events including a million-signature petition against corruption, delivered to parliament shortly before the national

elections in 2008; and a televised music and comedy concert held in the national Olympic Stadium in front of 50,000 people in 2009 to spread the anti-corruption message.

While the ruling Cambodian People's Party refrained from responding to the petition, the concert prompted a political backlash after the US Ambassador, Carol Rodley, in the opening speech made at the event, claimed that corruption cost the Cambodian Treasury $500 million a year (Rodley, 2009). This comment attracted strong criticism from the Cambodian government. Chair of the government's ineffectual Anti-Corruption Unit, Senior Minister Om Yentieng, a close advisor of Prime Minister Hun Sen, said at a press conference that Rodley's statement "strongly affects the honour and reputation of the Cambodian government," (AFP, 2009) while the Ministry of Foreign Affairs wrote to the US Embassy claiming that the accusations were "politically motivated and unsubstantiated" ( ). The Cambodian Ambassador to the UK, Hor Nambora, member of a well-connected Cambodian political family, claimed Rodley's comments "inflammatory" and "politically motivated" (Nambora 2009) and suggested that Rodley might be perceived as "having allied yourself with the discredited views of the international pressure group Global Witness which continually engages in virulent and malicious campaigns against the Royal Government of Cambodia." (ibid).

The linking of the anti-corruption with Global Witness - an international NGO that was expelled from Cambodia in 2007 following its exposure of government connivance in forestry crimes, and whose local members have been violently attacked, effectively repressing protest over forestry issues - cast a chill over the anti-corruption movement. Pro-CPP television stations subsequently hosted comedy shows in which comedians – some of whom had previously performed anti-corruption sketches as part of the Clean Hands Concert – parodied anti-corruption NGOs as themselves lazy and corrupt, living off ill-gotten gains from interfering foreign donors. Sketches showed foreign NGO workers faking scenes of violent evictions, lazing around in villas and visiting prostitutes, and local NGO workers paying villagers to put their thumbprints on anti-corruption petitions (Campbell, 2009: Duffet, 2009). An anti-corruption law was finally passed in early 2010, following fifteen years in the drafting process, perhaps reflecting a perception within government that both international donor and Cambodian public pressure was building on the issue. However certain provisions in the law – such as the article mandating up to six months' imprisonment

for whistle blowers making accusations that 'lead to fruitless investigations' (Royal Government of Cambodia, 2010) – seemed certain to render it ineffective.

The backlash against civil advocacy on the corruption issue represents a significant threat to Cambodian NGOs, who have long lived under the shadow of government interference, including threats of court action on charges of disinformation and defamation, and threats of new legislation to control them. It further indicates the sensitivity of the government on the corruption issue, and the links explicitly drawn, in the government's various responses, between anti-corruption activities and the forestry and land regimes underline the extent to which areas of governance which relate to the key concern of the Cambodian People's Party – the retention of discretionary control over the disposal of Cambodia's natural resources – are off limits to would-be reformers. Similarly, other governance areas, such as judicial reform, which could impinge upon this imperative, have languished, along with sections of the public financial management reform program associated with increasing the regulation of control over budgeting.

The World Bank and the Demand For Good Governance Programme

In a climate where many of Cambodia's donors are retreating from putting money into governance reform programmes, citing poor performance and lack of political will on the part of the government, the World Bank in 2008 launched a US$20 million 'Demand for Good Governance' programme that is intended to promote citizen involvement in holding the government to account in a range of areas. In a press release announcing the project, the Bank, in line with the approach underlying its similar programmes in other countries, explicitly linked it to the anti-corruption agenda, remarking:

> Good governance is increasingly recognized as a fundamental prerequisite for sustainable development. It's opposite—corruption—is also recognized as a major impediment to efficient and effective government, with a disproportionate impact on the poor. Stimulating citizen demand for better governance has become a fundamental tool for more transparency and accountability in public affairs, and an integral part of the World Bank's governance and anti-corruption strategy (World Bank, 2008a).

However, World Bank officials familiar with the situation in Cambodia are more tentative in claiming that the programme might have a specific impact on anti-corruption campaigning, pointing to the backlash against the Clean Hands movement, and suggesting that a much more cautious approach was needed which could lay the groundwork for more modest reforms.

The Demand For Good Governance project was founded upon a series of evaluations by the Bank of the role of civil society in promoting good governance in Cambodia. Key reports commissioned in 2005 and 2007 had concluded that civil society organisations could be harnessed more effectively to 'demand-side' governance initiatives, if they could be better linked to government and citizens through new approaches to campaigning (Burke and Vanna, 2005; Malena and Chhim, 2009). In making these assessments, the World Bank drew explicitly on its own demand side agenda, seeking to evaluate the scope for shifting civil society activism 'from shouting to counting' in the Cambodian context. This prompted the launch, by the Bank, in 2008 of the Programme for Enhancing Capacity for Social Accountability (PECSA) in Cambodia. PECSA incorporated four goals: training civil society organizations in social accountability techniques; adapting what were called 'global accountability practices' to the Cambodian context; providing grants for experimenting with social accountability projects; and supporting networking between groups doing social accountability work. The PECSA project also entailed a number of two-week intensive 'social accountability schools' in which individuals drawn from civil society organisations in Cambodia and from selected Cambodian government agencies were trained in social accountability techniques by trainers imported from Ateneo University in Manila's School of Government. Those social accountability scholars who showed the most promise were also taken on 'exposure visits' to see social accountability in action in a range of projects in the Philippines and in India.

PECSA engaged members of more than 100 civil society organisations in Cambodia, and sought to systematize the ad hoc experimentation with techniques such as citizens report cards and service user groups that had been associated with a range of donor programmes in different areas of Cambodia in the past. Graduates of the PECSA programme were given small scale funding for projects; subsequently the Demand For Good Governance programme offered a total of US$4 million of funding to provide grants to Non-State Actors

to engage in partnerships with government institutions in social accountability projects. The Demand for Good Governance also targeted selected state agencies for assistance. Agencies selected were those regarded as either already experimenting successfully with accountable practices, or as open to reform programmes. Accordingly, four agencies were highlighted in the programme: the Arbitration Council under the Ministry of Labour which arbitrates between employers and unions in industrial disputes in the garment industry; a talkback radio show produced on the state radio station Radio National Kampuchea, under the Ministry of Information; a project experimenting with One Window Service Offices in two provinces under the auspices of the Ministry of Interior; and the law dissemination department of the Ministry of National Assembly Senate Relations and Inspections. The four programmes were regarded as programmes that were already successful, albeit in a small way, in promoting accountability and transparency, and as opportunities to experiment with more challenging social accountability practices (Bhargava, 2009). The DFGG programme was launched following extensive discussions with the Cambodian government, and representatives of the ministries concerned, and is currently run through a Project Coordination Office based in the Ministry of Interior. In examining this programme in the context of this article, two questions arise. First, what is the significance of the DFGG approach in the context of Cambodia? And second, assuming that it has some significance, what ideological agenda does the Cambodian government see this as serving?

For the World Bank, the significance of these programmes is twofold. First, it provides an opportunity to overcome a longstanding attitude of distrust between the Cambodian government and civil society, fostering "a culture of constructive engagement that NSAs [Non-State Actors] would carry over to other contexts." (World Bank, 2008b) and it provides an opportunity to initiate better standards of governance within Cambodian state institutions. Although the institutions selected are not directly related to the key areas of natural resource management and land in Cambodia, and consequently do not tackle head on the political economy of corruption that underpins Cambodia's contemporary political regime, they do, Bank officials suggest, offer opportunities for the government to experiment with new ways of working. According to a Bank official who led the project in its inception phase,

> We know there are certain things that are off limits. For example, what has happened with PACT and USAID. It is not explicitly written but it happens. The government will make sure that line is not crossed…. We are trying to close the

gap between what is theoretically possible and what is actually happening. Without pushing the frontier, we can do a lot that isn't being done. Hopefully the frontier will move, but we can do a lot of things up to the frontier that weren't being done. (Bhargaval, 2009) [ii]

In initiating the programme, the World Bank anticipated a risk that the government would acquiesce to the programme provided it remained marginal to key concerns, then move to neutralise it if it seemed to be mobilizing citizens effectively. Consequently, the Bank went to quite considerable lengths to ensure that key ministers, including the Prime Minister himself, had been fully briefed on the implications of the project (Bhargaval, 2009). Preparations for the programme included a high profile launch in which Minister of Interior and Deputy Prime Minister Sar Kheng appeared on Cambodia television announcing the project.

Research suggests that the Cambodian government has not entirely embraced the aims of the project. For example, Secretary of State of the Minister of Interior, Ngy Chanphal, in charge of overseeing the Project Coordination Unit that runs the DFGG programme noted in an interview that when translated into Khmer, the programme was called the "Local Governance Project" rather than the "Demand for Good Governance Project," because:

> There was some complaint about the title. The word demand means demanding, imposing forcefully. This is not really good… So when the World Bank brought this project we changed the title in Khmer to Local Good Governance Project. In Khmer we would not accept this kind of demand.(H.E Ngy Chanphal, 2009)

In the same way, NGO participants in the project pointed to a difference between the government and the World Bank in translating the term accountability itself. While the World Bank preferred *tetuel koh trew* which means a broad sense of responsibility or obligation, the government insisted upon using the invented term *koneakdeypheap* which has a much narrower meaning, more associated with accountancy. (Silaka, 2009). The government's care on the use of terminology is indicative of its concern to impose a particular ideological framework on the project. The decision to substitute the idea of 'demand' with the idea of 'local' governance is particularly interesting, since acceptance of

the programme on the part of the Cambodian government fits well with a series of experiments the government has recently undertaken with respect to decentralization, and it is here that powerful political coalitions of support for changes in approaches to government that could be regarded as in line with donor reform prescriptions can be most clearly identified.

Good Governance and Local Governance

Decentralization of government is regarded in recent development orthodoxy as providing promoting good governance by bringing government closer to the people, thus reducing the costs to the poor of organising to demand better service. The Cambodian government maintains that its interest in decentralization is in promoting what it calls 'democratic development' at local level and in this area, at least, it appears that good governance reform is being promoted by the government.

For example, the Strategic Framework for Decentralization and Deconcentration of Governance in Cambodia, produced in 2005, stated that the reform programme for subnational government in Cambodia has two 'strategic goals': strengthening and expanding local democracy, and promoting local development to reduce poverty. Consequently, according to the Framework, reforms will be based on four key principles: democratic representation; public participation in decision-making; effectiveness in service-delivery; and public sector accountability. With respect to the latter, the Framework states, "Reform will strengthen accountability at all levels of administration and facilitate citizens' oversight of the administrative and financial affairs of those administrations."(Strategic Framework, 2005)

Underlying these principles are two concerns that have emerged as central to the legitimation strategy of the Cambodian People's Party over the past ten years. First, the CPP has consistently campaigned, during electoral campaigns as well as at other times, on its effectiveness – its ability to 'get things done.' The power of the CPP to mobilize resources and to deliver tangible local development goods such as school buildings, roads, irrigation schemes, temple renovations and so on is central to the party's image and dominates television news broadcasts. In doing so, the party draws upon its supporters in the private sector: Cambodian tycoons compete with one another to donate to the party's development projects, in return for receiving honours such as the title of *Okhna,* bestowed when one has contributed $100,000 or more to such initiatives. The symbiotic nature of the relationship

between state, party and business is revealed through both television reports of the generosity of *Okhnas* to the Cambodian poor, and the frequency with which *Okhans* receive state contracts. Of 19 contracts to develop Special Economic Zones awarded to Cambodian businesses, for example, 13 were awarded to Okhnas (InvestinCambodia); other owners include the PM's sister in law. Some of the same Okhnas have also been identified by the NGO Global Witness as recipients of lucrative logging concessions [iii] and are currently listed on the Ministry of Agriculture, Forestry and Fisheries website as recipients of large economic land concessions: state-awarded leases of thousands of hectares of agro-industrial land in the north of Cambodia intended to be used to establish plantations[iv]. Three of these Okhnas - Ly Yong Phat, Lau Meng Khin and Mong Rithy - have also been appointed to the upper house of Cambodia's parliament as CPP senators.

The Cambodian People's Party has developed a highly efficient system for mobilizing popular support across Cambodia's rural heartland, whereby government officials are allocated districts within which they are responsible for coordinating development projects paid for both via the state budget, international aid projects and donations from these tycoons. High-ranking ministers and secretaries of state are expected to spend their weekends overseeing these projects in liaison with party working groups based at district level. In turn, the district level party working groups liaise with elected commune councils.

To some extent, ideas underpinning good governance mesh well with this system. Secretary of State Ngy Chanphal, who leads the Demand for Good Governance/Local Governance Programme Coordination Unit in the Ministry of Interior, commented on the improved co-ordination between central and local government since the election of the commune councils in 2002, and the significance of this for the CPP's national electoral strategy:

> Now they continue to improve – they help the government to fulfil assignments that we couldn't do alone. It is very challenging – a ten-year programme of changing behaviour of people and of government officials as well. The new civil servants should not be the master of the people, but the public servants. We want to make services better: we are trying, working as a political party, we are required to work in our home districts. Now what happens down there – people bring it back to the government to hear. We have very good support from the people.

Buying votes is not going to help. We have to prove that we work well and explain government policy, really do things. We have to be involved infrastructure et cetera. The people see it. And you cannot trust that they will vote for you if you don't do this (H.E Ngy Chanphal, 2010).

This policy of working at the 'grassroots' or the 'base' to mobilize participation and support is integral to the CPP's success in cementing its hold on power over the past ten years[v]. Government officials such as Ngy Chanphal describe the system as a form of homegrown democracy: "Now we have a very democratic society – from the grassroots up, this is not imported from somewhere… Doing reform and economic development, ensuring the sustainability of the livelihood of the people is the main objective" (H.E Ngy Chanphal, 2010). Some analysts have regarded this as a shift from the elite patronage surrounding forestry in the 1990s, used to cement the CPP's political alliances and end the Khmer Rouge insurgency, to a form of mass patronage that could represent a precursor to democracy [vi]. However, there are important limits, in this system, to the kind of critical response that villagers are permitted to exhibit, and this significantly restricts the extent to which the system may evolve towards greater assertiveness on the part of the poor. Development, in the CPP's model, represents a form of 'gift' given by meritorious benefactors to the poor out of a sense of moral obligation that combines ideas of socialist mobilization with Buddhist conceptions of merit-making and compassion for the poor. The repeated reference to development projects as "gifts" provided by *saboraschon* – generous people – in newspaper and television reports, and of the joyous gratitude of the recipient poor underlines the powerful moral tone of these activities [vii].

There is, arguably, a sharp disjuncture between this approach and democracy. The *noblesse oblige* approach of the *saboraschon,* even when explicitly wedded to vote-winning for elections, differs from true democratic control of development trajectories. The assumption of unanimity of purpose, explicitly mobilized in the CPP's development rhetoric, allows attention to be focused away from the question of how development might be conceptualised and towards the question of who is self-evidently best-placed to deliver it. With respect to the purpose of development there is, in fact, almost no public discussion within Cambodia whatsoever. The Special Economic Zones and Economic Land Concessions that form the key to the government's industrialization strategy and provide the profits which help to fund the CPP's rather fixed notion of 'rural development' have never been publicly debated in any

inclusive forum that offers a voice to the poor; indeed, they represent the outcome of backroom deals between elite networks held together by patronage and corruption.

As such, the CPP's model of democratic development specifically excludes any form of political contestation of questions of substance, forming rather a way of mobilizing participation into pre-determined agendas, and at the same time offering opportunities for better information about mismanagement or resources or abuse of power to flow up through Party – not state – structures. While this has certainly improved the atmosphere within Cambodian villages, in comparison to the widespread climate of fear of local authorities that prevailed in the 1980s and 1990s, it allows only the most superficial of discussions over government 'effectiveness'. This is how the Demand for Good Governance programme appears also to be conceptualised within government. Although intended to provide opportunities for citizens to participate in monitoring government activities, for example through citizens' audits and citizens' report cards, this monitoring is oriented, first, towards supplying higher levels of government with data they can use to discipline and control local level officials; and second, towards encouraging citizens to engage with government in ironing out questions of effectiveness, rather than in developing powerful non-state movements that might challenge the government's overall trajectory.

As such, the programme can be interpreted as a means for the government to use good governance reform to perfect already powerful systems of grass-roots mobilization associated with the provision of small scale development programmes. The championing of the programme by Minister of Interior Sar Kheng is in line with this perspective. The Ministry of Interior is the lead Ministry for the government's broader decentralization and deconcentration programme, with responsibility for maintaining discipline over newly elected councils at commune, district and province level, and over the civil servants seconded from various ministries to serve these councils. This entails a need to be informed not only about their performance but also their political loyalty. Consequently, the Ministry of Interior can use good governance reforms such as the promotion of social accountability techniques or talkback radio shows to elicit information from citizens that can help it to do its job.

It is important to point out that there has been far less enthusiasm for both decentralization in general, and for governance reform in particular, from other ministries in the Cambodian Government. The powerful Ministry of Economics and Finance (MEF), for example, has been less enthusiastic. The MEF has a minimal role in local level mobilization, although it is charged with monitoring the way that subnational councils spend their budgets. More important, however, in Cambodia's political economy is the MEF's role as drafter and disburser of the national budget, collector of revenues, and controller of public procurement for contracts in amounts over 1.3 billion Cambodian riel (about US$350,000). Thanks to these strategic positions, the MEF has long acted as a clearing house for funds being siphoned from state to party coffers, a role which certainly makes the Ministry more cautious about even the most tentative steps in the direction of social accountability. As such, the MEF has been a more difficult interlocutor for World Bank officials working on the Demand For Good Governance programme. Pre-existing projects initiated by NGOs aimed at monitoring activities within the Ministry of Economics and Finance, specifically the national NGO Forum's Budget Monitoring Project which advocates for better public access to information about the national budget, have not so far been picked up by the Demand for Good Governance Project, despite their evident close relation to the aims and objectives of the social accountability agenda, reflecting, arguably, the caution within the World Bank regarding overstepping the government's line on what are acceptable advocacy issues.

The different roles of the Ministry of Interior and the Ministry of Economics and Finance in the political economy underpinning the current Cambodian political settlement are reflected in their different stances on the issue. For the Ministry of Interior, expanding controlled sources of information about potentially wayward subnational councils is a key aim, and entirely consonant with the Party's vote-winning national development patronage system which requires a close eye be kept on the way that subnational councils deal with donated funds. For the Ministry of Economics and Finance, dealing with the other end of the state-party-private sector relationship relating to taxation, customs, and state procurement, offering citizens an oversight role over the administration of public funding appears a much more threatening proposition.

NGOS and the Demand for Good Governance

A key question over the effectiveness of the Demand for Good Governance programme is the extent to which it is likely to promote the position of civil society associations to form

assertive alliances for reform. The Demand for Good Governance programme, in line with recent donor thinking, focuses on the idea of 'constructive engagement' between the state and civil society in achieving improvements in governance. The Demand for Good Governance programme incorporates a requirement that any grant-funded initiatives under the scheme should be conducted in a spirit of 'constructive engagement.' This clause is explained by World Bank officials as merely a requirement that "someone in government knows what you are planning to do and is prepared to listen – otherwise what is the point in doing it?" For Ngy Chanphal, the clause has rather more significance that than this, and implies incorporation of NGOs in government initiatives:

> "The NGOs have to understand the reform agenda of the government. We will not provide funding to NGOs who want to bring the government down. We want to improve service delivery and build a partnership together. A small number of NGOs are not working in local governance – these are human rights and corruption NGOs…. But working in local development, only a few NGOs are politically oriented. They have an attitude of unconstructive engagement. We can't afford to have fighting with each other. Democracy is not mature yet, but we will achieve this through economic development and political stability growing together."(H.E Ngy Chanphal, 2009)

The implication here is that human rights and corruption NGOs are 'politically oriented' and therefore will not be allowed to engage because their agenda is to 'bring down the government'; but that, in any case, these NGOs are not working in 'local development' so they are irrelevant to the programme.

The distinction drawn between 'political' NGOs and 'local development' NGOs is a long-standing one in Cambodian politics, and represents a second aspect of the utility of the Demand for Good Governance programme for the Cambodian government. For the Ministry of Interior, local development NGOs can be regarded as an extension of government, via constructive 'partnerships', helping the central Ministry to monitor the practices of local government and make up for any shortfalls at a time when the structure of local government is changing rapidly under the influence of decentralization reform: "civil society can help to

monitor subnational councils, work with subnational councils at district and province level and bring more local knowledge." For Ngy Chanphal:

> One of the main assets for Cambodia is that we have 2400 NGOs. Now they have capacity – they are doing a lot more work. In remote areas, only those working with NGOs know what's going on there. Their work is complementary to Government (H.E Ngy Chanphal,).

In a context where NGOs are highly dependent on external funding, the US$4 million available via the Demand For Good Governance scheme offers an opportunity for the Ministry of Interior to cement its relationship with 'constructive' NGOs:

> We have a principle of constructive engagement – it is clear that those that are not supporting the government will not be funded. But NGOS working to support the reform agenda – reform is life or death for Cambodia.(H.E Ngy Chanphal)

For Cambodian NGOs who participated in the PECSA and DFGG programmes maintaining an independent stance and a critical voice in the context of such programmes is difficult. Furthermore, most NGOs in Cambodia are professional rather than membership organisations, reliant upon external donor funding. Maintaining a continued flow of such funding already implies walking a fine line between maintaining government tolerance for their activities, and maintaining a reputation both for political independence and for competence and impact in the eyes of external donors. NGO graduates from the PECSA programme questioned whether entry into DFGG-style partnerships with a government that sought primarily to elicit rather than share information would be beneficial to their organisations:

> What is the benefit for NGOs from this? There is no clear answer…. There must be consultation first, to figure out whether they [the government] are willing or not. If we start monitoring the budget, how they spend it, the relationship will be put into question. There must be clear points to say that if you do things in the good governance area and get some pressure from the police, or from the provincial governor, you can come to us, there is a mechanism, or something like

that. Then again, getting information on government money is not easy and if we fail we will lose credit with the donors (Silaka, 2009).

Another graduate of the programme, who went on the visit to India, commented similarly on the significance of the political environment in Cambodia, "The Indian government is very democratic: because of full democracy, the level of threat is almost zero. People can say what they want to say."

In Cambodia, by contrast, this interviewee suggested, most of the NGOs that were likely to have the capacity to implement social accountability work "are working for advocacy for change within government, so the government is not happy to work with them." (Soeung Saroeun, 2009). From the NGO perspective, the DFGG programme was highly risky: fragile relationships with government could be damaged, while international donors would be displeased with failure. On the other hand, the lure of World Bank money was great – for NGOs competing in the highly competitive aid market, a World Bank grant was regarded as 'CV-building'. It could be used as evidence of the NGO's worthiness when applying for other grants, and was consequently worth taking risks for.

However, NGOs were also concerned that the constructive engagement criterion risked reinforcing the divide asserted by the World Bank report and by the government between constructive and oppositional NGOs, and reasserting the area of natural resources – land and forestry governance – in particular as a no-go area for assertive struggle on the part of civil society.

Implications for Donors

This analysis suggests that understanding both the constraints and the opportunities for good governance reform in Cambodia requires a more differentiated understanding of both the interests and the ideologies of different governmental and non-governmental agencies than has been apparent in donor planning to date. Although donors are aware that the Cambodian government has a poor record of sticking to its governance action plans, there has been a tendency to treat the Cambodian government as an undifferentiated block with identical interests. In fact, the political economy of CPP rule entails different efforts aimed at

maintaining the support of different sections of the population, and these assume different levels of importance at different times, depending upon the stage of the electoral cycle, the need for party funding, and the opportunities offered by the level of national economic development and the global investment climate. As these change, certain aspects of government responses to governance reform alter, while other core concerns, particularly related to the maintenance of discretionary control over natural resources, remain remarkably stable.

This suggests that a reconceptualization of reform is needed in order to make political economy analysis more useful to donor agencies. Reform has often been regarded by donors simply as the implementation of a set of progressive policies. However, the analysis above suggests that particular policies can be framed within sharply divergent ideological perspectives, with the implication that apparently enthusiastic reformers may turn out to share few of the donor's underlying assumptions. This different framing is not always easily apparent, particularly where loose translations of development jargon into national languages allow particular policy slogans to take on new connotations, which officials within donor agencies may either be unaware of, or be unwilling to recognise given the imperative to disburse aid moneys.

This analysis also suggests a need to rethink the nature of opponents to reform, and their relationship to reformers. Development agencies often assume that local reformers are the opponents of more obstructive 'vested interests', but the analysis above shows that this is not always the case. The Ministry of Interior and the Ministry of Economics and Finance in Cambodia are associated with different, and perhaps rival, party lines, and have different interests in terms of fulfilling party work; yet they remain dedicated to the cause of the Party, a goal that is antithetical to the liberal democratic ideals of western donors.

Similarly, civil society organisations, even though more likely, in the Cambodian case, to share the donors' liberal ideals, evaluated the Demand for Good Governance project in the light of their own interests. These prominently included concern to preserve their ability to continue to work, through preserving tolerant relations with government and preserving a reputation for soundness and effectiveness among donors. A number of civil society representatives engaged with the Demand For Good Governance programme primarily because it offered opportunities to build relationships either with government or with donors.

These goals were more important than the governance reforms themselves – in particular because most NGO representatives interviewed for this project were sceptical of the chances of success in reforming government. Once again this suggests a more complex picture with respect to reformers, who see project activities as a means of investing in long term relationships rather than as a means of achieving better governance.

Earlier in this monograph we have developed a typology of reformers which includes opportunists and tacticians, as well as dedicated ideologues. This analysis suggests that the boundaries between these three groups may in practice be blurred, since dedicated ideologues may join projects that they agree with but see as destined to fail, for tactical reasons. The question for donors, faced with such issues, is how far to tolerate tactical, as opposed to dedicated, support, and how to distinguish between them in contexts where both motivations might be present.

This perspective on reform and reformers suggests that orthodox understandings of reform as consisting of a one-time change from one set of policies to another, promoted by progressive reformers and resisted by vested interests, is mistaken. What donors instead are confronted with is a set of groups which co-exist in shifting relations, and whose commitment to promoting and preserving relationships is often as significant as its commitment to reform. Negotiation – the success of which is also dependent on the nature of relationships invested in in the past – to bring in tactical interests, or to try to finesse the differences between distinct ideological standpoints is central to the success of reform programmes, and must be ongoing, reflecting the essentially contingent nature of alliances for change. Donors need to recognise this, not only in order to inject a level of realism as to what can be achieved, but also in order to develop new and better strategies for intervention.

Notes

i   Measures of consumption inequality by the World Bank suggest a rapid increase in consumption inequality in rural Cambodia between 1993 and 1997, and again between 2004 and 2007. The World Bank attributes this rise in inequality partly to geographical factors (poor soils in some regions etc.), partly to individual differences in talent and entrepreneurship and partly to the extent to which households are able to access local government services via the payment of bribes and the use of connections (World Bank, 2007b: vii-viii. Consumption inequality figures for 2007 provided by Stephane Guimbert**.**)

ii   The reference to PACT and USAID is a reference to the government's criticism of the US Ambassador's remarks at the Clean Hands Concert

iii   These include Okhna Ly Yong Phat, develop of the 335 hectare Neay Koh Kong SEZ and the 1,750 hectare Kiri Sakor Koh Kong SEZ; Okhna Lau Meng Khin, developer of the 178 hectare Sihanoukville SEZ1 and the 1,688 hectare Sihanoukville SEZ 2; and Okhna Mong Rithy, developer of the 100 hectare Okhna Mong SEZ. According to Global Witness, the same business tycoons have also been awarded concession for mining, monopolies on imports and contracts for utility supplies and providing supplies to the military (Global Witness, *Cambodia's Family Trees,* p.11). Global Witness estimates that Lau Meng Khin's company, Pheapimex, controls 7.4 per cent of Cambodia's total land area through its logging and economic land concessions (Global Witness, *Cambodia's Family Trees,* p.77).

iv   Okhna Lau Meng Khin is listed as company director of Pheapimex, which Ministry of Agriculture Forestry and Fisheries website

v   A more detailed exposition of the internal functioning of this system is laid out in David Craig and Pak Kimchoeun, "Party Financing of Local Development Projects," in Caroline Hughes and Kheang Un eds., *Cambodia's Economic Transformation,* (Copenhagen: NIAS Press, 2011) forthcoming

vi   For a more detailed discussion, see Caroline Hughes,"The Politics of Gifts: Generosity and Menace in Contemporary Cambodia," *Journal of South East Asian Studies* 31.3 (2006): 469-489

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6 Housing the poor in metro Manila

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Introduction [i]

The Asian Development Bank (ADB) has provided – with the Cities Alliance – technical assistance to the Philippine government to enable the phased roll out of a slum upgrading and eradication program in Metro Manila over 15 years. Critical to the success of the Metro Manila Urban Services of the Poor (MMUSP) program is the willingness of local government units (LGUs) to participate. Under early 1990s legislation, LGUs are required to ensure that land, essential infrastructure and services are provided for socialised housing, but typically compliance has been weak [ii]. Accordingly, the MMUSP program aims to "incentivise" LGUs to meet their responsibilities, principally through the offer of loan funding and technical support for "integrated urban development" strategies which can enable LGUs to cross-subsidise socialised housing through its proximate location with commercial developments. However, to date no LGU has agreed to formally sign up to the program by agreeing to accept an ADB loan.

As this paper explains, LGUs have conflicting mandates and interests with respect to socialised housing and commercial development which the MMUSP program does not address. Their powers to raise revenues from property and other business taxes are a condition of the proposed cross-subsidisation, but equally they also mean that LGUs have strong political and economic interests in local land markets and development (Shatkin 2007: 36). Without appropriate enforcement mechanisms, LGUs have considerably less interest in fulfilling their service obligations with respect to housing the poor than they do in pursuing higher-value land uses. What is more, they do not generally share the ADB's vision of urban development. Whereas for the ADB (and other international donors), slum eradication is designed to tackle urban poverty, for LGUs it overwhelmingly constitutes the removal of "urban blight" through the demolition of physical structures and concomitant relocation of inhabitants to distant, peri-urban sites. Underpinning this understanding of slum eradication

are conceptions of development that link progress and political accomplishment to physical order and public cleanliness. These conceptions are embedded in social relations wherein the urban poor are continually characterised as "dirty" and therefore lacking the human qualities needed to be "clean" – with all the explicit and implied connotations of moral standing and proper place that attach to this (Schaffer 2009: 134-135, Pinches 1992).

In other words, Metro Manila's slums are thus not merely a physical manifestation of material poverty; they are deeply embedded in class relationships that find form in relatively enduring patterns of conflict and mobilisation. The MMUSP program does not address these relationships as it seeks reformers only on the basis of formal, institutional responsibilities and conflates motivation with technical and resource capacities. It pays no attention to power relations beyond formal authority and, what is more, aims to unlock the very urban development processes that currently undermine informal settler communities' political capacities to take on the mayors. The paper begins with some more detail on the program and its progress to date, before going on to explain its form, paying attention to the legacies of past conflicts and the present state of urban poor organisations and alliances. Thereafter, the paper analyses the different interests of "reformers" vis-à-vis the program and concludes by reflecting on what might be done.

The program

The ADB's MMUSP program aims to help the Philippine government to address the shelter needs of informal settler/urban poor households who make up about thirty-five percent of Metro Manila's population (ADB 2005: 1). Specifically, it seeks to provide 'decent and affordable housing, basic infrastructure and urban services, including secure tenure' through a mix of investment financing, technical assistance, capacity building and local livelihood programs (ADB 2008). In reform terms, the MMUSP program is thus directed at significant improvements in the *implementation* of existing policy and legal mandates with respect to socialised housing. To quote a senior official from the program's executing agency – the national government's Housing Urban Development Coordinating Council (HUDCC) – the approach is more about 'strengthening what is in place than reform [*per se*]' (Interview 2009). The same official said the objective is to '*incentivise* the LGUs' to take part in the program and, more broadly, to meet their formal governance obligations (Interview 2009, emphasis added).

Program documents state that LGUs have neglected socialised housing in part because they have mostly not controlled suitable land and/or have not had the organisational and technical capacities to undertake the necessary planning and project management (IDP Consult, Inc. 2006: 65). Accordingly, the program endeavours to build on the national government's "urban assets reform" agenda through which LGUs are able to acquire new lands. To quote the ADB:

> While available land under the control of the LGUs in Metro Manila is in short supply, national government land parcels have been identified for privatization. Previous efforts to sell these parcels through public bidding have failed, largely due to the problem of squatters. With the sale of such land, the [1991] Local Government Code (LGC) entitles the concerned LGU to 40% of the proceeds as its share in the "proceeds from development and utilization of the national wealth". LGUs have expressed interest in on-site upgrading of these land parcels or in using them as in-city relocation sites for their squatter populations. (ADB 2005: 1)

To encourage LGUs in this direction – and ensure that the resultant housing is affordable – the MMUSP program proposes that the acquired sites be developed through "land sharing". Typically, land sharing involves informal settlers agreeing to vacate 'high-value land in return for being allowed to either rent or buy a part of the land below its market value' (ADB 2005: 8).

> The advantage of such an agreement is that it allows the landowner to regain control of the site and realize higher commercial returns from the land without having to evict illegal tenants. In return, illegal residents gain legitimate tenure and are able to continue living close to their established livelihoods. (ADB 2005: 8)

In this case the LGU as the landowner is expected to commit to providing eligible households with affordable housing, with the expectation that proximate commercial developments will deliver new, increased revenue streams to help off-set the costs involved [iii].

Critically, also the ADB favours integrated urban development because it can provide the kinds of subsidies it supports, that is those which are financially sustainable and not market-distorting. As well, in addition to the Bank seeking as much as possible to keep the poor

living in-city, its objective is to provide them with assets in a form that means they can be used as collateral for loans from mainstream sources. In other words, it is important to stress that the MMUSP program is directed at the integration of urban poor households into formal markets for money and land.

The plan is that the MMUSP program be rolled out in stages in all of Metro Manila's 17 cities and municipalities over 15 years. In this way, initial developments are expected to have learning and demonstration effects whilst also contributing to institutional strengthening across the sector (ADB 2001: 3). The initial ADB investment loan was to cover two sites, one within the Food Terminal, Inc. (FTI) area in Taguig and the other in the former National Bilibid Prison (NBP) grounds in Muntinlupa. The National Government Centre (Eastside) in Quezon City was originally also included in stage one, but it was withdrawn to the next stage because the LGU did not support slum upgrading on this site [iv]. All these cities skirt the old, more densely developed parts of Metro Manila. Taguig and Muntinlupa are especially undergoing rapid development for industrial, commercial and administrative purposes.

Originally, the ADB intended to release its loan to the national government's Social Housing Finance Corporation (SHFC), for it to then on-lend to participating LGUs and/or the private sector for infrastructure development (site development, house construction, and resettlement) and to NGOs for housing loans to beneficiaries (HUDCC and PCFC 2008: 4-5)[v]. However, after 'numerous meetings' with the Department of Finance (DoF) 'to convince [it] of the viability of the project', in mid 2009, the ADB's loan offer was rejected: 'the DoF had too many doubts about working with SHFC and disbelieves that funds can be recovered from urban poor households' (ADB, personal communication 2009). The DoF also wanted the LGUs to assume a greater share of the risk by having them borrow directly from the Bank (ADB personal communication 2010). HUDCC officers reported as well that, within the national government there were apparently concerns that the proximate location of socialised housing and commercial development would undermine land values and hence the returns on its "urban assets reform" agenda.

After not securing national government approval for the investment loan in this form, the ADB has embarked on the option of offering sub-sovereign loans to LGUs, allowable under Executive Order (EO) 809. As technical assistance was most advanced in the case of the FTI site, in 2010 Taguig was the first city approached. Whilst officers involved considered the

loan to be 'attractive' in principle, they nevertheless turned it down because 'the interest rates are too high; they are 9-10 percent and we are seeking around 6 percent, otherwise it is a sunk investment [an investment with no return]' (Interview 2010).

In the next section, the paper accounts for the form that the MMUSP program takes, paying particular attention to the conflicts which generated the domestic legal and institutional framework in which the program is now situated. The focus is thus on the political processes explaining the framework's emergence, along with how it actually works.

Background to the program

On the face of it, the MMUSP program is the product of, on the one hand, of current international thinking on slum upgrading as a means to reduce urban poverty and, on the other hand, the policy and institutional frameworks for socialised housing in the Philippines. Importantly, both these stipulate alternatives to the failed strategies of forced eviction and relocation. In international policy circles, this is a legacy of research and advocacy which has promoted more positive interpretations of slums as 'places of opportunity', not despair, where the poor can (and should be encouraged to) pursue their own 'self-help' strategies via market inclusion (UN-Habitat 2003: xxvi). The ADB's policy on "involuntary resettlement" is a clear example of this approach [vi]. In the MMUSP program, all participating LGUs are to be bound by this policy, indeed to the degree that, if 'there are any gaps between the ADB's policy requirements and the Government's policy, the ADB's policy on involuntary resettlement prevails' (HUDCC and PCFC 2008: v).

The legal and institutional framework for socialised housing in the Philippines is less the product of expert opinion than it is an outcome of domestic political processes, in the post-Marcos era especially. As demolition and relocation has been the standard response of public officials historically, informal settlers and their advocates have tended to react accordingly, most overtly through collective forms of direct resistance and demand-making that centres on tenure security. As a result, not unlike poor people's movements elsewhere, Metro Manila's urban poor have produced protest movements that are defined by acts of collective defiance rather than by 'articulated social change goals', as in the case of formal organisations (Piven and Cloward 1977: 4-5). However, in Metro Manila since the early 1970s, local defiance has

been more often linked to formal organisations in the form of NGOs with domestic and international church connections and support. The core groupings in this have pursued forms of community organising, intended to prepare local communities for 'confrontations with the powerful' (Carroll 1998: 118). During the 1980s, Metro Manila urban poor communities were also brought into the political networks and alliances of the leftist National Democratic Front (NDF) in the struggle against the Marcos dictatorship. Since then, the NDF movement has fractured and declined, however, some groupings have been active in some urban poor communities, principally as a part of their efforts to challenge the regime and not to find solutions to their immediate problems. Not surprisingly, the urban poor's collective defiance has been generally greatest during times of increased threat or hardship or when there are changes to existing social arrangements as a result of the electoral cycle or some political or economic crisis (Piven and Cloward 1977: 8-14). As well, the collective defiance has tended to arise at particular sites, where informal settlers are living in significant numbers. Nevertheless, both the opportunities for and the forms of collective defiance 'are structured by features of institutional life' (Piven and Cloward 1977: 23), not least because organised defiance is often directed at existing institutions and their personnel.

After the restoration of democracy in 1986, the national political space for urban poor demands was increased, particularly for the community organisers with church support. As a result, during the Aquino period, there were some significant institutional and legislative gains from lobbying, most notably the setting up of the Community Mortgage Program (CMP) (discussed below) and the Presidential Commission on the Urban Poor (PCUP) and the passing of the 1992 Urban Development and Housing Act (UDHA) (RA 7279) (see Karaos et al. 1995) [vii]. Hot on the heels of the 1991 Local Government Code enacting political decentralisation, the UDHA law meant that 'local governments are ordered to meet legal requirements before a demolition, conduct a land inventory and beneficiary registration, and identify sites for socialized housing' (Karaos 1997: 69). Under the Act, socialised housing is for 'the underprivileged and homeless', however, it is in fact directed specifically at *existing* informal settlements – thus indicating the extent to which the legislation 'is advocacy-driven' (Interview 2009). Importantly, this also signals the extent to which "the informal settler problem" is related to land use conflicts at specific sites. Urban poor advocacy has some reach into the national political arena in Metro Manila; however, it remains very site-specific for the same reason, it is demand-driven.

As already noted, LGU compliance with the UDHA has been poor. On the one hand, there are no formal enforcement mechanisms in place: HUDCC only undertakes coordination. Part of the problem is that the urban poor now mostly lack the 'coalitions strong enough to confront the mayors' (Interview 2006). There has been a decline in the number of middle class activists prepared to join as community organisers, but as well, urban poor organisations lack the 'institutionalised channels of access to representation in the power structures of society' (Racelis 2005: 87). NGOs have tended to retain connections within the Catholic Church, and used them to obtain national level political access, but these are normally ad hoc and dependent on individuals. To some extent there have been positions secured on local and national government boards and committees, but these have offered limited representation and have not been a means to alliance building (Hutchison 2007). Where results have been achieved at local government levels, this has been an outcome of political pressures applied to elected officials by local NGOs (see Bodegon 1999). Finally, on top of this, the development pressures nowadays are more intense. To quote one activist:

> The pace of change in Manila is very fast now. It is hard to keep up. And there are many [political] actors involved – local mayors, past presidents, district representatives – they are all getting involved. All have their own political projects – so it is very hard to target all these actors on all these fronts. (In Hutchison 2007: 864)

In this period, urban poor advocates have generally considered the ADB to be an ally, on account of its involuntary resettlement policies and its efforts in relation to particular projects and officials. Yet they stress they have received no direct support from it. More generally, during the 1990s, urban poor NGOs were given greater "participatory" roles in mobilising communities for project and program implementation, but these have been within the confines of donors' hopes for social capital as a tool of development (Shatkin 2007: 6-7).

To summarise, the MMUSP program is designed to promote LGU compliance with existing legal mandates which were established as a result of urban poor demands. Nowadays, the organising capacities of urban poor communities are generally in decline. Nevertheless, it is instructive to reflect on the status of their advocates as "reformers". According to the typology (in Hughes and Hutchison in this volume), they are 'pragmatists' more than 'idealists', meaning they 'have long term goals of social transformation but also consider

short term gains significant' and, consequently, they are willing to 'form both dedicated and tactical alliances'.

In the next section, the Taguig LGU's reluctance to accept the ADB investment loan, apparently on cost grounds, is put into wider context. LGUs are clearly the MMUSP program's critical 'gatekeepers' in that they 'hold power over the issue area and therefore need to be in some way on side' (Hughes and Hutchison, this volume). Consequently, it is important to look in more detail at their orientation.

The LGUs

First, many in the sector express the view that LGUs 'do not want to borrow on behalf of the urban poor', because they consider it 'an expense, not an investment' – an investment carrying the expectation of a reasonable return. The following statement from the (then) Quezon City mayor is instructive:

> Loans are easier to rationalize if they are for projects that result in income streams that will generate payback mechanism for the loan, or those that are used for projects that represent social investments of our LGU to generate steadily increasing magnitude of public services to our constituents. (Belmonte, personal communication 2010)

Here the mayor indicates a preparedness to borrow for 'social investments', yet the cases of both Quezon City and Taguig demonstrate the limits of LGU commitments to the urban poor.

Both Quezon City and Taguig LGUs already have what they term "socialised housing programs". Quezon City, established the Housing Urban Renewal Authority (HURA) in 2003 for this purpose. However, according to a HURA officer, housing for the poor 'has been a struggle' with respect to meeting their needs (Interview 2010). To date the LGU has completed 640 medium-rise accommodation units, but only about a third have gone to eligible informal settlers, the remainder have been taken up by low-wage employees, especially from city hall. The two groups are not necessarily entirely different, but it is generally the case that informal settlers are more likely to be in lower paid and irregular jobs or "the informal sector", certainly if they are poor. Critically, for this reason they tend to be reluctant to commit to repayments and/or simply lack the access to housing finance through national employee-membership funds which the HURA programs rely on.

In Quezon City, the shelter needs of informal settlers in fact come under a different city department, the Urban Poor Affairs Office which targets the national government's Community Mortgage Program (CMP). The CMP provides low interest, subsidised financing for land acquisition, site development and home construction, however, the bulk of loans are only used for the former, essentially making it a land tenure program (Porio et al 2004). The innovation of the scheme is that the loan is extended to informal settler communities through a second party "originator", normally a NGO or LGU, which then bears the responsibility (and risk) of amortisation. The CMP has been popular, but has limitations. For the very reason it is affordable – borrowing can be disaggregated to serve different purposes – it has often not delivered the physical changes from slum upgrading proper. Its critics complain there is often 'no discernible change in [settlers'] way of living … many CMP sites do not differ from other slum areas' (PBSP 2007: iii). As well, the CMP has been used mainly to purchase private lands, whereas a much larger proportion of informal settler households are on government owned lands. Finally, international donors reject interest-based subsidies because they are considered to block the involvement of commercial banks.

The point of the Quezon City case is that its socialised housing program does not currently address the needs of the urban poor in informal households. Whilst the LGU is active in land acquisition programs through the CMP, this involves little or no LGU subsidy and is limited to instances where private landowners want to sell. As noted already, Quezon City LGU is not keen to undertake the kind of *in-situ* slum upgrading that the MMUSP program promotes. It is interested in assistance to achieve cross-subsidies, but only in the case of *resettlement* sites further out (Belmonte, personal correspondence 2010).

The Taguig case is different on the surface, but not substantively. This LGU commenced its socialised housing program in 2005, in partnership with the house-building NGOs, Habitat for Humanity and Gawad Kalinga. To date this arrangement has produced 730 accommodation units and the city has plans for many more (Interview 2010). The medium-rise, Habitat for Humanity-built units do currently house a significant number of former informal settlers, but these tend to be households with one or more members in regular, paid employment. A number of households from the same settlements are said to have rejected the

option of a unit because they considered they could not afford the repayments (Interview 2010). Future plans include the LGU partnering with the Coalition for the Homeless – an NGO established by 'the former presidents of reality businesses' – to provide dwellings for 'LGU employees, police and teachers', quite specifically not for the poorest '20 percent' of households (Interview 2010).

Gawad Kalinga housing is more strongly targeted to the very poor as its construction costs are lower and entirely donated; yet its model of intervention is highly contested by international donors and urban poor community organisers alike. However, given the earlier point about the current difficulties in attracting middle class activists into urban poor advocacy, it is significant that Gawad Kalinga has emerged as something of a middle class movement in the Philippines, but in ways that underline the endurance – and mobilising power – of its 'discourse of class construction, through which middle class actors connect, but command and distance themselves from the *masa* [the masses]' (Pinches 2010: 306). Gawad Kalinga – meaning 'extending care' – was first formed as an off-shoot of the evangelical group, Couples For Christ, whose founder connects poverty alleviation to personal transformation, in direct, intentional contrast to the confrontational-style community organising which has characterised progressive movements in the Philippines for number of years (Kessler and Rüland 2008: 194-195). Although it is now independent, Gawad Kalinga retains the same strong commitment to change through relational, personal transformation. Gawad Kalinga personnel informed me their priority is 'bridging the gap in relationships [in Philippine society] with 'care and share'' (Interview 2010). The relationship gaps are principally those between the poor and the non-poor, although in fact it is clear that the non-poor participants highly value (and enjoy) the relationships they establish among themselves. As Pinches observes, it is striking how attractive the Gawad Kalinga 'vision of nation building through slum eradication' (Pinches 2010: 305) has been to many middle class Filipinos, across business, the professions, government and academia. He argues that part of the appeal is the way it taps into 'an old and powerful discourse of paternalism enunciated by the Church, by members of the elite, and by politicians … rendering the super-ordinate party active and generous, and the dependent other compliant and grateful' (Pinches 2010: 305).

A further area of note is LGUs participation in the programs of the Cities Alliance. Formed in 1999, the Cities Alliance is 'a global coalition of cities and their development partners committed to scaling up successful approaches to poverty reduction'[viii]. As mentioned at the

outset, it has helped to fund technical assistance for the MMUSP program. The Cities Alliance's two "cornerstones" are its City Development Strategies (CDS) and Cities Without Slums (CWS) programs. The first promotes urban development strategies that in to increase the participating cities' economic competitiveness. The CWS strategy promotes citywide slum upgrading through national programs. Critically, the two programs are supposed to be fully integrated:

> The initial preparatory stages of CWS Program formulation should be undertaken as an integral part of the preparatory/analytical stages for the CDS. It can be anticipated that as a result of this process, poverty reduction will be identified as a key problem area, and the CWS program will be prepared as part of the broader (CDS) strategic response. (ADB 2004: 5)

Mukhija observes that the Cities Alliance strategy contains 'an embedded contradiction between enhanced economic competitiveness and better housing conditions for the poor' (Mukhija 2006: 58). Moreover, because of the preoccupation with 'cooperation, institutional pluralism and consensus building', it has no processes for handling conflicts. This is clearly observable in the Philippines.

According to a World Bank officer, in recent years the country is 'the poster child' for the Cities Alliance's CDS [ix]. However, it is clear that this has done little to nothing to promote socialised housing and "cities without slums". In the words of the Secretary General of the League of Cities in the Philippines, the CDS has encouraged LGUs to adopt

> a new approach to managing their cities. … First and foremost is the realization of the city *as an economic space*. Cities are identifying their competitive advantages and maximizing these in promoting local economic development. (emphasis added) [x]

Too much causation ought not to be attributed to the Cities Alliance's interventions. Indeed, interviews with various LGU officers suggest that they tend to take a take it or leave attitude with regards to participation. In the words of one LGU officer: 'Cities Development Strategies, we know of these, but we do not participate seriously … if useful we can adapt [it to our purposes]' (interview 2010). LGUs have both mandated and political interests in economic development. Under the 1991 Local Government Code, LGUs were given primary responsibility for urban development and service delivery. Also, they were extended wider

revenue raising powers through 'property taxes, proceeds from the operation of public enterprises (such as public markets), local business taxes' and so on (Capuno 2002: 234). This means they have vested interests in local land markets and property development, in ways that often conflict with the allocation of land to socialised housing and undermine community organising. To quote Shatkin (2007: 36):

> Saddled with the responsibility for a variety of services as a result of decentralization, local governments are under pressure to generate revenue through property and business taxes. Each of these sources of revenue now represents a larger proportion of local government budgets in Metro Manila than the Internal Revenue Allotment (IRA), the sum provided by the national government to all cities and municipalities. Local government officials also often have a vested interest in encouraging local economic development, both because influential businesspeople make powerful political allies, and because officials themselves often come from families with real estate interests. Thus city and municipal governments have increasingly competed to attract investment in the form of commercial development, industrial development, high-value residential development, and development of institutions such as colleges, hospitals, or government officers.

The final point in this section on the background to Taguig's rejection of the ADB loan relates to LGUs general understanding of the nature of the development problem that slums present. From an international donor perspective, slums are a manifestation of the interlinked problems of poverty and governance and institutional failures. Accordingly, the solutions proposed aim to address these. By contrast, LGUs in the Philippines overwhelmingly regard slums as "urban blight" and "development" correspondingly as a process that involves and requires the demolition of physical structures and the relocation and resettlement of the inhabitants. These attitudes reflect a broader set of middle and upper-class ideologies about the urban poor and their settlements being an offence to *'urbanidad'*, a Tagalog word denoting good manners or civility. The association between poverty and dirt is particularly significant as dirt is 'something that is not in its proper place' (Schaffer 2009: 1354, Douglas 1966, Pinches 1992). As we have seen with Gawad Kalinga phenomenon, such views encourage a belief in development as improvement centred on nexus between personal discipline and social order, cleanliness and morality and 'beautification' of the urban environment and social order. In short, LGUs largely consider that 'land is too precious a

commodity to use for socialized housing, [for] a group that in their view is an impediment to the kind of urban development that is attractive to global capital' (Shatkin 2007: 26).

The LGUs are the MMUSP program's critical gatekeepers. As we have seen from the above, their engagement with the program is at best likely to be 'tactical' and not 'dedicated'; as such they are better classed as potentially 'opportunistic reformers' than opponents *per se* (see Hughes and Hutchison, this volume). At one level, the LGUs simply do not need to be opponents: the program poses no threat because there are no sanctions or other real consequences arising from non-participation. The program seeks to incentivise them to take part, as public officials who are committed to meeting their service obligations. Yet the record of struggles over slums in Metro Manila is one in which public and political figures have responded under pressure from constituents and their advocates and supporters. In Muntinlupa there is a Local Housing Board due to pressure from a local NGO, the Muntinlupa Development Foundation (MDF). In Taguig, the mayor started to accept that socialised housing was his responsibility – and not the national governments – only after extensive lobbying from local informal settlers. As reported by one of his staff: the settlers 'would come and see him all the time with requests, it never stopped … he evolved, there was a political colour to it' (Interview 2009). The MMUSP program involves consultations with targeted communities; however, they are entirely excluded as actual drivers of reform.

Conclusion

The ADB seeks to promote a comprehensive slum upgrading and eradication program in Metro Manila by way of measures to encourage local government units (LGUs) to allocate land to the shelter needs of urban poor households who currently live in informal settlements. In essence, the ADB program aims to enable LGUs to off-set the costs of this through the co-location of commercial developments with a future revenue stream. A weakness is that the plan assumes that LGUs in fact want to meet their legal responsibilities in this area and they are prepared to forgo other land uses with higher financial returns in order to do so. With other international donors in the Cities Alliance, the ADB is advocating a set of urban development strategies in which there is 'an embedded contradiction between enhanced economic competitiveness and better housing conditions for the poor' (Mukhija 2006: 58). In

so far as LGUs in Metro Manila do not support the integration of these, there are not other means in the MMUSP program to resolve this conflict. Indeed, the very land developments that the ADB (and other international donors) want to promote are those that make it difficult for informal settler communities to challenge the power of the mayors.

Notes

i   ADB officers were not willing to be interviewed about the MUSSP program's progress, but did assist with several email communications. Interviews were conducted in 2009 and 2010 with personnel from HUDCC, SHFC, World Bank, UN-HABITAT, League of Cities of the Philippines, Gawad Kalinga, urban poor NGOs, as well as officers from four LGUs: Taguig, Muntinlupa, Quezon City and Marikina. In addition, I visited affected informal settler communities and interviewed local leaders in Taguig, Muntinlupa and Quezon City. I am most grateful to Dr. Anna-Marie Karaos, Director of the John J. Carroll Institute on Church and Social Issues (ICSI), for her generous assistance with my research, and to Gerald and Gladys, my two research assistants (also from ICSI), for their willing help also.

ii   Socialised housing is housing that embodies some form of subsidy, to meet the shelter needs of households which otherwise cannot afford housing through the private market.

iii There are other components to the design of the program that aim to achieve affordable housing. These include the construction of medium-rise dwellings for higher residential densities and the release of land on a usufruct basis so that land costs are excluded from the housing package.

iv   I was never directly told that this was the reason, I have concluded as much from separate interviews with two senior Quezon City officers in 2009 and written correspondence with Mayor Belmonte in 2010.

v   The SHFC was selected because, the national government agency which provides finance for socialised housing it was considered to know the sector and earlier pilot programs with commercial banks had not been successful (ADB, personal correspondence 2009).

vi   The policy is at,
     http://www.adb.org/Documents/Policies/Involuntary_Resettlement/default.asp?p=rsttlmnt.

vii The National Shelter Program is more obviously a product of international thinking in its adoption of an 'enabling' role for the state (Shatkin 1999: 35-36, Hutchison 2007: 862). The MMUSP program is more directed at the implementation of RA 7279, although its approach in general promotes the same enabling role for the state.

viii The World Bank and UN-Habitat (as the United Nations Centre for Human Settlements) were founding members; the ADB joined in 2002.

ix   The CDS of the Cities Alliance is coordinated in the Philippines through the World Bank and the League of Cities in the Philippines.

x   'Philippine Cities Show the Way to Dynamic Development' http://www.lcp.org.ph/04142008_PhilCities.htm

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8 'The streets belong to who?': 'Governance' and the Urban Informal Sector in Jakarta, Indonesia

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The aim of this case study is to assess the nature and impact of policy relating to governance of the Urban Informal Sector (UIS) in Jakarta, Indonesia, focusing in particular upon the degree of representation of various stakeholders and sets of interests in existing policy. After outlining the background context of the issue, focusing upon Jakarta, it will ask; what has been the nature and extent of this representation in current policy, what political and economic interests have dominated policy debate, what efforts have been made to represent the sector and what can potentially be done to ensure that representation translates into effective and equitable governance strategies that balance the needs of UIS workers with those of other relevant stakeholders.

Defining the Urban Informal Sector

By way of a general introduction, the informal sector covers a wide range of economic and income generating activities, including casual jobs, small-scale entrepreneurial activity, home industry and part-time work; work operating outside of formal government regulation and taxation (including the black-market or illegal), making it a complex and problematic area of governance. The term 'informal sector' is meant to capture the characteristics of that sector of the labour force which is not part of the regulated employed sector. This study will focus upon one of the more conspicuous and contentious sectors of the UIS in Jakarta; petty street traders and vendors known more as *pedagang kaki lima* or PKL. Due to the often transient and fluxing nature of street trading it is difficult to find accurate estimates of the numbers of PKL in Jakarta with figures ranging from 140,000 to over 350,000. In particular, during times of economic crisis or downturn the numbers of PKL can quickly expand. For example during the Asian Economic Crisis of 1997 the number of vendors and itinerant traders jumped from 95,000 to 270,000 in the space of a few months (Firman 1999) [i].

The Global Development Research Centre has identified a number of criteria distinctive of the UIS: a) It operates in open spaces, (b) it is housed in a temporary or semi-permanent structure, (c) it does not operate from spaces assigned by the government, municipality or private organizers of officially recognized market-places, (d) it operates from residences or backyards, and (e) it is not registered [ii]. Employment instability based on casual ad hoc employment means that UIS workers often engage in petty trade, and as such do not receive salary or benefits from a stable employer. While UIS workers in Indonesia are not by definition poor, the urban poor make up an overwhelming majority of the UIS [iii]. The 2006 World Bank Report *Making the New Indonesia Work for the Poor* gives figures that 60% of all Indonesians work in the informal sector, the number rising to 75% amongst those they define as the poor (World Bank 2006) [iii] In 2001 Blunch et al cite a figure of 77.9% for the proportion of the Indonesian urban work force located in the informal sector (Blunch, Canagarajah and Raju 2001). This compares with 66.9% in the Philippines and 51.4% in Thailand (Blunch, Canagarajah and Raju 2001). In 2008 it was estimated that as many as 60 million out of Indonesia's workforce of 97 million worked in the informal sector (Khalik 2008).

With the high dependence of formal sector employment upon global markets, the informal sector has continued to expand particularly during times of global economic downturn such as the Asia Financial Crisis of 1997. As such it has provided a safety net against abject poverty in the absence of extensive functioning social welfare services in Indonesia. Portes and Hoffman have documented globally the dramatic growth in what they describe as an 'informal proletariat'; "the sum of own-account workers minus professionals and technicians, domestic workers, and paid and unpaid workers in microenterprises" (Portes and Hoffman 2003: 55). The implementation of neo-liberal policies and the privatisation of markets, particularly in developing countries, has seen an overall shrinkage of public sector jobs and 'forced entrepreneurialism' and invented self-employment for many (Centeno and Portes 2006). This trend of informalisation has also accelerated processes of urbanisation (Davis 2004). The continued lack of economic opportunities in rural areas makes migration to urban centres a pragmatic survival strategy for many, swelling the size of cities and overwhelming the already limited absorptive potential of the formal sector. The urban informal sector is a global socio-economic reality that will continue to grow in the future. As Centeno and Portes state, its expansion is also "a poignant reflection of the distortions and failures of the

development process", and "simultaneously a key actor for implementing any solution to them" (Centeno and Portes 2006: 24).

With these figures and economic and population trends in mind, the characteristics and dynamics of the urban informal sector in Indonesia should be a matter of high priority for government and policy makers. Some of the key characteristics of the urban informal sector in comparison to formal sector workers are:

- They have minimal income security and as a result are constantly in search of work. Insecurity is a constant feature of their existence, and they are highly susceptible to income loss.

- Their relations with their employers/clients are generally more direct and personal than those of formal sector workers, and they often have multiple relationships. Despite a common perception of informal sector workers as self-employed potential or actual micro-entrepreneurs (pushed by donor agencies such as the World Bank), most in fact work for someone else i.e. via consignment, rental of a pushcart or space or as off the books workers or suppliers for formal sector firms.

- Their socio-economic and political life is primarily territorial based (neighbourhood, street) and not workplace based. Subsequently they have a higher consciousness and sensitivity to issues of space, but a diminished sense of sectoral consciousnesses. Issues of economic livelihood are frequently intertwined with those of housing/residency.

- Due to the fluidity in their situation, there is a far greater degree of social heterogeneity in their immediate living environment. People frequently move in and out of neighbourhoods as fortunes, consumption patterns and demand fluctuate. This can lead to unique forms of social organisation (such as community based cooperatives) but can also inhibit the development of effective forms of community based advocacy. This heterogeneity, generally within crowded environments with poor infrastructure and a lack of basic amenities, can also contribute to the emergence of forms of social conflict and predatory and reactionary forms of organisation (street gangs, protection rackets, vigilantes).

- There is greater flexibility as regards to time/working hours.

- The UIS often operates in highly competitive yet unregulated markets. Markets frequently become oversaturated, resulting in overall reduction of profits.

- Largely by default they engage in more illegal activities, ranging from squatting and trespassing to unlicensed businesses, making them frequently subject to harassment and arrest by the authorities. Davis has estimated that up to 85% of urban residents in the developing world "occupy property illegally" (Davis 2004:15).

- They serve an important economic role by providing affordable goods and services for the urban poor as well as low wage formal sector workers.

Considering the significance of the UIS, in terms of the sheer numbers of people involved, its inherent precariousness and its crucial safety net role in relation to an often equally precarious formal sector, what have been the governance strategies of the Indonesian government towards it; how has it been represented in policy and what types of initiatives and support programs have been implemented to accommodate this now global product of hyper-urbanisation?

Policy and approaches

Throughout Indonesia UIS governance has been characterized by an informal approach. In practice the presence of informal sector activity in public space is frequently tolerated to varying degrees (often due to a lack of resources to do otherwise) however with few exceptions it lacks any formal legal foundation or safeguards. On a day-to-day basis in cities such as Jakarta, Surabaya and Medan such informal governance is often the preserve of the community itself, or frequently criminal and protection rackets gangs often working in cooperation with the police, civil ordinance officials and local authorities (Robison, Wilson, Meliala 2008). UIS workers are frequently subject to a range of both formal and informal fees paid to gangs, the police and civil ordinance officials. A study conducted by the Institute for Economic and Social Rights in 2007 showed that street vendors in Jakarta paid Rp. 279.8 billion (US$27.9 million) in retributions, the majority of which were illegal (Nasir 2008) [iv]. A common situation found in the streets and neighbourhoods of Jakarta is vendors paying retributions to gangs and protection groups in the hope that this will prevent the extraction of fees from other gangs and also provide protection from harassment and eviction by the authorities. Often vendors are forced to pay fees to both gangs and officials, with neither providing any binding guarantee of security.

The implementation from 2001 of political decentralisation in Indonesia, and the subsequent demand from provincial and district level governments for an increase in locally generated revenue has, despite opportunities for increased public participation in development and planning, had a negative overall effect on informal sector workers, with many small enterprises being pushed into the formal economy with insufficient planning and street vendors evicted or 'criminalised' in the context of increasing competition and clashes of interest over the use of public space. In Jakarta part of the rationale for an intensification of this repressive and prohibitive approach since has been that large numbers of UIS workers are economic migrants to the nation's capital and that the capacity of the city to sustainably absorb a greater population has already been surpassed [v]. This rationale is not entirely unfounded as Jakarta's population has grown at a startling rate. Totaling only 1.5 million in 1950, according to the 2010 census it is now around 9.58 million with the greater Jakarta region reaching 26.6 million, making it one of the largest metropolitan cities in Southeast Asia (BPS 2010) . Rapid urbanisation has been accelerated by continued under-development in rural areas resulting in a near constant stream of migration into the capital [vi] . In 2005 it was estimated that Jakarta had 2.4 million long term and 430,000 short term migrants from rural areas (Resosudarmo, Yamauchi and Effendi 2009). Street vending in particular is for many new migrants often one of the only viable and accessible means by which to generate income, hence recent and long term migrants are heavily represented.

This argument however obscures the reality of limited formal employment opportunities even for long term Jakarta residents, and also the ways in which existing resources, space and infrastructure have been utilised and prioritised, and the sets of interests that have benefitted. As Rukmana states, "many of the problems associated with the informal sector are not attributes inherent to the informal sector but manifestations of unresponsive urban planning itself" (Rukmana 2007). Clearance of slums for example is entirely counter-productive when alternate places of residence and livelihood are not provided or do not exist, and in Jakarta such operations have been used as a means for freeing land for high-level investment developments (Human Rights Watch 2006). As has been well documented, capital intensive retail developments such as shopping malls and luxury housing estates are also placing unsustainable burdens on Jakarta's physical infrastructure and environment and have been linked to the exacerbation of long term problems such as flooding (due to reducing natural catchment areas) and the attendant issue of land subsidence [vii].

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At a national level there is limited in principal recognition of the UIS in the National Spatial Planning Law 26/2007 which identifies the importance of the informal sector in urban areas; the need to incorporate it into urban planning as well as minimum standards of services and provisions for greater accountability in spatial planning processes (Hudalah and Woltjer 2007). The ambiguous in principal and non-binding nature of the law however has meant that it is easily overlooked, or is often countered by regional and district level regulations (known as *Peraturan Daerah*, or Perda). A further Presidential decree in 2007 also stipulated that chain convenience stores in particular be required to assess their impact upon any traditional markets in close proximity[viii]. Similarly, national level ministers have, usually during periods of economic downturn, requested that street traders be left undisturbed in the interests of not further burdening financial pressures on the poor. These however have not been considered binding, or backed by concrete legislation[ix].

However in some urban centres in Indonesia street vendors have been formally accommodated within planning and space allocation and involved directly in a consultative planning process. For example in the city of Solo, Central Java, a participatory approach towards the accommodation of the UIS has been adopted by the mayor Joko Widodo. Plans to relocate over a thousand vendors involved an extended process of negotiation and consultation with vendors after which they voluntarily moved to a new location, in contrast to the tactics of his predecessors (The Jakarta Post 2010) [x]. Vendors were accommodated within fifteen recently renovated traditional markets or provided with new street carts and main bus routes redirected so that there would be a constant stream of customers (Tempo, 2009). Local regulations have also been introduced, and more importantly enforced, limiting the number of large malls and 24hour minimarkets (Indarini 2010). A Street Vendors Administration Office (*Kantor Pengelolaan PKL*) has been established to pursue initiatives for assisting and consulting directly with the UIS [xi]. Most significant in the Solo case, is the recognition of the UIS as a legitimate sector to be incorporated within development and planning agendas and allocated adequate resources, the most important of which is space [xii]. The Solo example, while encouraging, has however been an exception to the rule. Nationally, the prevailing orientation of regional regulations towards the UIS is prohibitive; indicating that while informally it is recognised, the prevailing tendency is to view it as illegal activity due to its operation outside of state regulation and its reliance upon public space.

Between order and disorder in 'the city of vendors'

In part due to the sheer size of its population the management and politics of the UIS in Jakarta is far more complex than in other urban centres throughout Indonesia. The response from government however has been far less nuanced or accommodating than in Solo. The primary policy instrument used for dealing with the UIS has been the 1988 Public Order law, which was later revised in Regional Law No.8 2007 (FAKTA 2008) [x]

[iii]. The Public Order law criminalises non-state sanctioned UIS activity, stipulating that it is illegal to sell goods or conduct business in streets, parks or other public places except in areas designated by the governor. The recognition of the informal sector in the 2007 National Spatial Planning Law was in a sense countered by a tightening of the previous Public Order law, which included greater penalties for illegal vending along with begging, busking and squatter settlements. A parting gift of outgoing governor Sutiyoso, he argued that the law was necessary to "to put order into things of common interest"(BBC 2007).

The regular experience of violent confrontation between UIS workers and state agencies was in many ways shaped during the governorship of Sutiyoso (1997-2007) who waged a systematic campaign against the informal sector at a time when it was expanding dramatically in the wake of the 1997 economic crisis [xiv]. During the period 2001-2005 approximately 60,000 slum dwellers were evicted whereas in 2003 alone 17,700 street vendors were moved on, many having their stalls demolished (FAKTA, 2004). Identity card checks were increased, especially at the end of the fasting month of Ramadan when traditionally there is an influx of new migrants. Public parks such as the National Monument (Monas) were fenced off and pedestrian paths narrowed to prevent vendors establishing stalls [xv]. Indigenous Betawi gangs and ethnic militias were mobilised, resulting in increased clashes with migrant ethnic groups predominant in street trade such as the Madurese (Wilson 2006). A former Jakarta military commander, Sutiyoso employed urban management techniques associated with the former New Order regime. His vision and concept of Jakarta, inspired by Singapore and Hong Kong, had no place for the UIS, which was considered an eyesore, source of social problems and unbefitting a modern city (Kusno 2004).

This negative impact of this law and order approach upon the UIS has been compounded by a failure to implement and enforce existing legislation accommodative of informal economic activity, such as Jakarta regional law No.2/2002, which requires developers of large scale

retail developments (2,000-4000m^2 of floor space) to allocate up to 20% of total space for UIS activity, and not to be within 2.5km of traditional markets[xvi]. Since the passing of the law in 2002, there has yet to be a single development that has allocated space as stipulated in the regulation and a number of recent retail developments are well within the 2.5km exclusion zone [xvii]. The common practice is for powerful developers to simply buy themselves out of regulatory adherence, either via illegal payments to officials or other forms of retribution [xviii]. From the perspective of developers providing space for vendors is seen simply as a waste of money, with little to be gained in terms of social or political capital [xix]. The outcome has been an overabundance of high end retail developments, housing estates and commercial buildings. By way of example, Jakarta currently has around 40 traditional markets each of which can accommodate around 500 traders (20,000 in total), well short of the estimated 140,000-350,000 street vendors (Interview with Azas Tigor, Director of the Jakarta Residents Forum (FAKTA), Jakarta, 6 August 2010). This can be contrasted with the 60+ medium to large sized shopping malls in Jakarta that are estimated to serve the needs of and be affordable for only around 500,000 residents, or 3.5% of Jakarta's total population (Rukmana 2009a). At the municipal level, each of Jakarta's mayors has informally designated areas for street vendor activity, though with the high demand and price of land the trend has been towards reducing rather than increasing these. For example in December 2009 in Central Jakarta there were 62 designated areas for street traders, down from 66 in February of the same year (Sabarini 2009). The rationale for the reduction of space despite an increase in demand was that it is necessary in order to 'tidy up the city' (Sabrini 2009).

With the limitations and precariousness of legal space in which to operate, UIS workers takeover the streets, filling up sidewalks and alleyways and are subsequently subject to eviction, relocation or dislocation via regular '*razia*' or raids conducted by Satpol PP public order officials. This enforcement is sporadic and usually conducted without prior negotiation, adding to the uncertainty of UIS workers and increasing the risk of conflict. There is significant evidence suggesting corrupt and collusive practices, in which Satpol PP clear vendors and poor communities on behalf of developers and so called 'land mafia'; networks using intimidation, falsified land title documents and bribes to officials to acquire land (Human Rights Watch 2006). A 2009 report by the Indonesian human rights group Imparsial recommended that the Satpol PP be disbanded due to its systemic human rights violations in the enforcement of public order laws against vendors and disproportionate allocation of fiscal resources it receives (Imparsial 2009). In the 2007 Jakarta regional budget the Satpol PP was

allocated 303.2 billion (US$29.7 million) (Imparsial 2009) [xx]. This compares to 188 billion allocated for primary level education, 200 billion for government run health clinics and 64 billion for the Cooperatives and Small and Medium Enterprises Agency, a body seen as crucial to the development of the UIS (Imparsial 2009). This huge investment in the Satpol PP, whose core function is the enforcement of the public order laws, indicates the prevailing attitude towards the UIS at the top levels of the Jakarta administration is that of illegal activity which obstructs more profitable forms of development. It also reflects the prevailing matrix of interests that dominate policy formation processes and their selective enforcement, with the administration generously funding a force with the core function of clearing the streets of UIS workers and the urban poor.

The social and economic outcomes of this criminalisation approach has been almost entirely negative, both for government and UIS workers, and linked to a range of social problems such as increased levels of urban poverty, street criminality, social conflict as well as a de-legitimisation of government agencies [xxi]. Often left with nowhere else to go, evicted vendors simply move to another area, or return to their original site once things have 'cooled down', resulting in an ongoing pattern of 'semi-nomadism' within the city. In part this nomadism is inherent in the nature of street vending itself, which tends to congregate around pre-existing centres of activity (schools, transport terminals, business districts etc), rather than becoming the locus for an economic or retail hub in its own right [xxii]. According to Azas Tigor, Director of the Jakarta Residents Forum (FAKTA), the Jakarta administration has not recognised this central characteristic of street traders, hence the repeated failure of attempts to force them into the formal sector. For example the Jakarta City Market Authority (PD Pasar Jaya) has instigated a number of 'vendor relocation programs' aimed at removing vendors from the streets and situating them within market buildings (Wisnu 2009). Situated away from organic hubs of activity, or in direct competition with convenience chain stores, and often in high states of disrepair these markets have been unpopular both with consumers and vendors themselves. The high fees imposed for kiosks (anywhere between Rp.7-10 million per meter) has also been prohibitive (Wisnu 2009, Interview with PD Pasar Jaya official, Jakarta 12 August 2009). Informality remains more profitable.

The election of Fauzi Bowo as governor in 2008 brought some optimism amongst NGOs, residents forums and vendor associations that a more humane approach would be adopted

towards street vendors, however to date he has continued the confrontational and approach of his predecessor [xxiii]. An example is the implementation of his plan to increase 'green space' in Jakarta from 9.6% to 13.9% by the end of 2010 (Rukmana 2009b) [xxiv]. As anyone who has spent time in Jakarta knows, public parkland is rare and much needed [xxv]. However as the NGO Indonesian Forum for the Environment (WALHI) and others have identified, the targets for reclaiming land for green zones have been overwhelmingly 'soft', such as squatter communities and existing vendor and street market sites, in short the urban poor and UIS workers (Khalid 2009). Examples include the eviction of long-established street traders in Jalan Barito, settlements surrounding the BMW Park in Tangerang and communities in Rawasari Cempaka Putih, Central Jakarta (Khalid 2009). On the other hand, a number of malls and shopping centres that have already been built on designated green zones (largely illegally and due to corruption) have neither been demolished (which according to the governor would be 'impractical') nor required to pay any compensatory fee or tax [xxvi]. Proposals for further mall developments on allocated green zones have also been allowed to reach formal assessment stages (Setiawati 2010).

One major conceptual failing of the Green Zones concept, and spatial planning more generally, is that it does not incorporate residential areas or allow for either informal or regulated economic activity. Rather than 'greening' existing neighbourhoods, the strategy has been to clear designated green zones of human inhabitants putting further pressure upon surrounding areas. Organisations such as WALHI, Urban Poor Consortium and the Jakarta Residents Forum (FAKTA) have all developed detailed alternative planning models which have been submitted to the Jakarta administration for consideration however representatives of each stated that they had yet to receive a serious response (Interview with Wadah Hafidz (UPC) and Slamet Daroyni (WALHI), Jakarta, 10 August 2009). Alternative plans from within the administrative bureaucracy have also been rejected after opposition from big business, such as the Jakarta City Parks agency's proposal to develop green spaces at the site of 29 gas stations (Rukmana 2009 b).

As Hudalah and Woltjer state, spatial planning processes are 'coordinative in nature', meaning that in practical terms it involves negotiations and deal making between public and private stakeholders (Hudalah and Woltjer 2007). Hudalah and Woltjer add that "there is no specific obligation of the government to invest or to finance the proposed development or land supply" (Hudalah and Woltjer 2007: 298), with the role of government primarily one of

making programmes to facilitate and guide investment and financing from the private sector. This reliance upon capital from the private sector fundamentally discriminates against the UIS, and makes planning processes and the allocation of permits and zoning highly susceptible to the distribution of favours, kickbacks and corruption. The outcomes, such as those identified previously, indicate the entrenchment of the prevailing matrix of interests and the ease with which market capital can determine the direction of planning priorities. When programmes are funded by the government, such as the vendor relocation programme, the imperative to recoup costs undermines the ostensive intent to provide vendors with affordable space.

Organisation and (non)representation of the sector

As we have seen, the lack of effective representation of UIS interests is due to a combination of the conceptual denial of the UIS by the administration together with the ease with which the interests of developers have been able to highjack and direct policy, and planning priorities, and outcomes. Difficulties in developing the kinds of organisation that could lead to effective lobbying and representation in policy making processes is further exacerbated by the diverse and expansive nature of the informal sector itself which poses its own limitations. This is not helped by existing labor policy which is implicitly based upon the idea of formalising the informal workforce. There has been some limited recognition within social welfare policy, such as in the extension of health insurance coverage to informal sector workers under the state run Jamsostek scheme. However the paradigm of formal sector conditions prevails with UIS workers paying more due to the absence of an employee contribution (International Labour Organisation, 2008).

Another key issue is that of citizenship. Many UIS workers in Jakarta are legally 'non-citizens' as they do not possess a Jakarta identity card. Failure to obtain one may be due to a number of factors, ranging from non-eligibility, prohibitive fees, absence of required documentation such as birth certificates or a general reluctance found within informal communities to interact with government officials. This has contributed to the disinterest of political parties, who do not see UIS workers as a significant potential voting constituency and have subsequently not made serious efforts to develop alternative policy strategies or use it as a campaign issue. Political 'engagement' has been largely restricted to the mobilization of UIS workers and the urban poor more generally during campaign periods. This non-

existence also has significant implications to allocations of the regional budget, as it is only to be used for registered residents of Jakarta.

There are a variety of sectoral organisations such as the Indonesian Street Traders Association who have attempted to engage in lobbying and advocacy on behalf of the UIS as a whole. National labour unions such as the Indonesian Prosperity Trade Union (*Serikat Buruh Sejahtera Indonesia*, or SBSI) have also made some efforts to extend to the UIS however these still remain partial and made problematic by its diverse and disparate nature (Social Alert 2005). Subsequently street vendors have not been adequately represented at this sectoral level. There are also numerous local and national level NGO's and community groups doing grass roots organisation and advocacy that have achieved successes in terms of localised accommodation of the UIS. For example, the Jakarta Residents Forum (FAKTA) has lobbied at the local level for accommodation of vendors, and developed regular lines of communication with Jakarta's current governor, Fauzi Bowo. It has also encouraged UIS workers to contest power directly at the local level, such as running for the lowest elected positions of formal authority in the administrative hierarchy like a Neighbourhood Unit head (*Rukun Tetangga* or RT) giving them potentially greater input over allocation of budget funds and space at the local level [xxvii]. FAKTA activists state that many lower level officials are highly sensitive and aware of issues facing the UIS, but are often hamstrung by the priorities and interests of those higher up in the administrative system [xxviii]. Another campaigner for the UIS is the Urban Poor Consortium (UPC). Established in 1997, the UPC has developing a network of community based collectives throughout Jakarta and focused upon public demonstrations and education campaigns aimed at drawing public and media attention to the issue, together with efforts at lobbying the administration for a rights based approach to the UIS and the urban poor. The UPC links the situation of the UIS and urban poor to a broader critique of stalled political change in Indonesia and the entrenchment of oligarchic interests, a position which has not endeared it to many legislators or politicians [xxix].

The strength of the UIS lies in its rootedness in local communities, which does not translate well into the traditional top-down institutional model that still prevails in Indonesia nor to sectoral forms of representation via unions or NGOs. A variety of battles are being fought on local fronts throughout Jakarta, but this has not resulted in effective lobbying at higher levels of government. A significant amount of NGO and community activity amongst the UIS is focused upon developing various forms of self-sufficiency, such as local cooperatives. There

is a deep scepticism and hostility amongst vendors towards government, with the common view being that it only serves its own interests and those of the rich and powerful. The regular experience of violence and eviction at the hands of the Satpol PP and extortion by local officials have broken trust, lines of communication and dialogue. For many UIS workers, vendors in particular, the avoidance of contact with state agents is a key concern, with their ultimate aim not transition to formal sector employment or even equitable state imposed regulation, but the ability to operate their enterprise free from government intervention and harassment. In confidential interviews with the author in 2009 street vendors frequently stated that "the state was of no use" and that "they are untrustworthy and don't represent us".

In principle, limited opportunities for local input into planning and development priorities can arise in the context of engagement with government facilitated 'participatory processes' such as Development Planning Consultative Process (Musrenbang). Conducted annually through various levels of government *Musrenbang* are multi-stakeholder forums which are meant to encourage non-government stakeholders to participate in proposing, identifying and prioritizing development policies, and act as a mechanism through which to mediate differences between government and nongovernmental stakeholders (Djani, Wilson, Masduki 2009). This local government development planning and budgeting mechanism replaces the top-down and non-participatory one of the Soeharto era. Proposals undergo further levels of screening at higher levels of the administrative hierarchy, and must be in accordance with pre-established government programs and core areas to be eligible for funding. Studies have shown however that the Musrenbang process has had limited success in incorporating grass roots and community based initiatives and inputs into planning priorities and directions with the actual levels of participation and its outcomes highly dependent upon the power relations between the actors and groups involved (Djani, Wilson, Masduki 2009). In Jakarta NGOs and community groups involved in Musrenbang complained that their participation was "window dressing" used to legitimate pre-determined agendas, echoing the findings of Djani, Wilson and Masduki's study of the impact of patron-clientism of Musrenbang in other parts of the country (Group interview with Musrenbang participants, Jakarta, 11 August 2009).

The inadequacy of policy instruments inhibits UIS workers from organising themselves effectively and they are dealt with by government agencies on an individual or localised

territorial basis. The top down model of policy instruments and the entrenched interests that benefit from this deprives them of a platform to voice their needs, while the inadequacy of institutional frameworks also hinders the potential of NGOs, advocacy groups and residents forums to act as effective intermediaries. Campaigning for improved conditions, insofar as it focuses on addressing specific grievances as distinct from holistic long term solutions, also narrows the potential constituency for any networks and relationships (alliances) as the basis for shifting power in such a way to enable the identified grievances to be addressed. The informal urban sectors conditions of existence and its grievances, as has been noted, are characterized by a localized and variegated reality, unlike the industrial/formal sector which can more easily mobilise around nation-wide demands, such as a generalized increase in wages. Subsequently, fragmentation of campaigning according to localized or otherwise relatively narrow issues remains a general characteristic of the various attempts to pressure governments for effective action. In the case of the UIS and vendors in particular the natural location of organization (i.e. the workplace) intersects with public and private space, creating a complex web of tensions and conflicting interests.

Conclusion

There are a number of key issues underlying the problems surrounding the Jakarta administrations strategies towards the UIS. Firstly is the issue of recognition: the failure of local and national government to officially and fully recognise the informal sector as the predominant valid form of productive economic activity that not only provides a safety net against poverty (in the context of a country in which state welfare services are minimal), but also serves the needs of the cities poor and middle-classes. The importance of the informal sector has been regularly acknowledged at a national level, such as President Yudhoyono's statement that in the wake of the 2009 economic crisis forced evictions of street traders should be ceased (Gatra 2009, Sabarini 2009). This pattern of calls by national and regional leaders to show lenience towards the UIS during periods of economic crisis and downturn displays an awareness of the sectors significance, if only as a safety net, however it has yet to be turned into either concrete legislation or policy [xxx]. It also fails to articulate the UIS's important role in subsidizing "the consumption and profits of actors in the formal economy" (Centeno and Portes 2006 :15). Paradoxically, the generally low wages of the formal sector jobs created by developments such as malls means that these workers ultimately rely on the existence of the informal sector for goods and services [xxxi].

Local instances of accommodation and allocation of space for street traders by individual mayors or sub-district heads for example, is also largely via informal negotiations and dependent upon the individual agency and will of those local leaders. As such it remains precarious and subject to termination when more powerful interests intervene. The existence of both prohibitive and accommodative policies towards the UIS, such as the Public Order laws and Jakarta regional law No.2/2002 indicates the existence of tensions within government as to how best approach and manage the UIS. The failure to enforce the latter while the former is allocated significant resources suggests that powerful political and economic interests linked to the allocation and use of public space continue to sideline people orientated development despite the over-abundance of high end retail and housing servicing Jakarta's economic and political elites. Ostensibly participatory forums such as Musrenbang are yet to achieve significant outcomes, in part due to problems of design but also due to high jacking by entrenched interests. This situation is compounded by the lack of a coherent or organised political lobby from the sector, either via sectoral and mass organisations, unions or representation via political parties. Local gains have been made and productive grass roots/local level advocacy is taking place, however this has yet to filter through and have an impact at higher levels of the policy making process.

Notes

i. In 2002 the Jakarta Centre for Statistics estimated there to be 141,073 street vendors in Jakarta. *Tempo* (2002), 'Kaki lima sebagai katup pengaman', 24 February. The Institute for Economic, Social and Cultural Rights estimated in 2007 that there were 200,000, while the Urban Poor Consortium suggests upwards of 350,000. Interview with Wadah Hafidz, Director of Urban Poor Consortium, Jakarta, 10 August 2010. One of the difficulties in establishing reliable figures is that official statistics are usually limited to those with Jakarta identity cards, whereas a large number of UIS workers do not possess one, and numbers are in a constant state of flux in particularly during periods of economic downturn or recession.

ii. The Global Development Research Centre, 'The Informal Sector: Definitions at a Glance', http://www.gdrc.org/informal/1-ataglance.html.

iii. The report estimates that 49% of all Indonesians earn less than US$2 a day. Of these as many as 22% in urban areas do not have access to safe water, and 59% no access to adequate sanitation (World Bank 2006).

iv. This figure is based upon currency conversion rate of rp. 10,000 to US$1.

v. Suharto notes that while some informal enterprises can be relatively profitable, the proportion of poor households in the informal sector has remained constantly higher than in the formal sector. Edi Suharto (2002).

vi. The World Bank estimates that nationally the population of Indonesia's cities have trebled in the past 25 years (World Bank 2006: xxii)

vii. This argument was most consistently put forward by Jakarta's previous governor Sutiyoso.

viii. According to research conducted by the Limnology Research Centre, of the 218 lakes found in Jakarta and its outskirts in 1990, only four currently remain. See Kalinga Seneviratne, 'Jakarta floods linked to illegal construction', http://ipsnews.net/news.asp?idnews=36725, 26 February 2007.

ix. There is little evidence in Jakarta to suggest that either have been implemented or enforced.

x. See for example *Gatra*, 'Mendag: jangan gusur PKL', (Minister for Trade: Don't evict street vendors), 12 February 2009.

xi. The mayor had 54 separate meetings with vendors, represented by nine vendor associations, over the space of seven months. As he explained "Clear-cut communication detailing the benefits of relocation overcame the vendors".

xii. Widodo also initiated a credit scheme by which small home based enterprises can borrow Rp. 4 million rupiah with 0.5% interest and gave vendors a 6 month exemption from tax.

xiii. The positive embrace of the UIS was inspired by Widodo's own background and experience as an antique and furniture trader rather than the result of effective lobbying or advocacy, drawing attention to the importance of individual agency. Other examples includes Gede Winasa, a former dentist and the regent of Jembrana who has implemented a comprehensive health insurance scheme for the poor.

xiv. In 1978 long before either of the public order laws were passed, Regional Regulation No.5 1978 carried specific reference to management and operation of PKL in Jakarta, designating authority to the governor to determine where PKL could legally operate. The regulation was never revoked, meaning that legally the governor still has the legal power to allocate spaces for street vendors. The regulation also lays responsibility for orderliness and cleanliness with vendors themselves, in stark contrast to the prohibitive tone of the 1988 and 2007 public order laws, but which also lay ultimate authority with the governor.

xv. The history of hostility towards the UIS and street vendors in particular extends back to the governorship of Ali Sadikin (1966-1977) who considered street based enterprise a potential threat to public order and as signs of a "backward society". Sadikin, A. (1977), Gita Jaya: *Catatan H. Ali Sadikin, Gubernur Kepala Daerah Khusus Ibu Kota Jakarta 1966-1977*, Pemda Ibu Kota Jakarta, Jakarta. Even earlier President Sukarno

xvi.   New migrants who failed within 14 days to register and obtain a visitors identity card, which requires proof of formal employment and residence, were liable to imprisonment and heavy fines.

xvii.   According to activists form the Urban Poor Consortium and FAKTA, retail developers frequently sidestep the law by hosting one week street vendor festivals, but not establishing any permanent space.

xviii.   Interview with Nurkholis Hidayat, Director of the Jakarta Legal Aid Foundation, 7 August 2009. Examples of violations of the law include Senayan City Mall and the second Plaza Indonesia Mall. The exclusion zone for chain convenience stores such as Alfamart or Circle K is less than 1km.

xix.   Interview with Nukholis Hidayat, Director of the Jakarta Legal Aid Foundation, 7 August 2009

xx.   This figure is based upon currency conversion rate of rp. 10,000 to US$1

xxi.   Confidential interview with retail developer, Jakarta, 10 August 2009.

xxii.   Yearly 'anti-thug' campaigns, ostensibly aimed at tackling gangs and petty crime, regularly target street traders together with street children, beggars and buskers.

xxiii.   Interview with Azas Tigor, director of the Jakarta Residents Forum (FAKTA), 6 August 2009.

xxiv.   This initial optimism came from a number of pro-poor and residents advocacy groups who had developed productive lines of communication with Bowo when he was vice-governor. His status as an ethnic Betawi, the so called indigenous population of Jakarta, also led these groups to think he may show amore compassion towards street vending particularly in Betawi communities.

xxv.   'Green space' is defined in legislations simply as "areas where plants can grow" (Rukmana 2009a).

xxvi.   Green space in Jakarta was roughly 35% in 1965. The target of 13.4% is still significantly below the stipulated minimum of 30% established in the 2007 Spatial Planning Law. In 2008 the allocated budget for green conversion of Rp. 2.6 billion was also significantly reduced, all but eliminating the possibility that the 2010 target would be met and increasing the imperative to focus upon 'soft target' evictions of poor communities. Deden Rukmana (2008), 'Decreasing green areas in Jakarta', *The Jakarta Post,* 17 March.

xxvii.   Examples include the Senayan City Mall and Sudirman Palace as well as malls in Kelapa Gading, Pantai Kapuk, Sunter, Senayan, and Tomang.

xxviii.   Interview with Azas Tigor (FAKTA), Jakarta 6 August 2009.

xxix.   Ibid.

xxx.   During Sutiyoso's period as governor the UPC in particular were subject to physical intimidation and attack at the hand of ethnic militias working on behalf of the administration. See Wilson 2006.

xxxi.   Some urban poor activists have suggested that these statements, referred to as 'himbauan' or appeals are purely populist and aimed at appeasing and diverting public anger during periods of economic uncertainty.

xxxii.   Average shop attendant wage in Jakarta is around the minimum wage of Rp.1.2 million per month. See Doja Fasila, (2010),'Rise in minimum wage to fall far below union's demands', *The Jakarta Globe*, 13 October, http://www.thejakartaglobe.com/home/rise-in-jakarta-minimum-wage-to-fall-far-below-unions-demands/401254 (accessed 14 November 2010).

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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.

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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