

THE POLITICS OF ENTRAPMENT:



THE WORLD BANK,
THE INTEGRATED DEVELOPMENT MODEL
& CITIZENSHIP AT A CROSSROAD

*A thesis submitted by Pascale Hatcher (Canada) in fulfilment
of the requirements for the degree of Doctor of Philosophy in
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The World Bank, the Integrated Development Model & Citizenship at a Crossroad

A dissertation submitted by

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To Jeffrey and Sarala



Abstract

The thesis is about the World Bank and the political dimensions of the new aid architecture.

The new aid agenda, which emerged out of the post-Washington Consensus (PWC), has led to debates over its real significance. While Joseph Stiglitz has argued that the new consensus actually marked the end of the era of market fundamentalism, sceptics have rather concluded that it represents nothing more than a discursive shift.

The Bank's own ambiguous narrative on the new aid framework may explain such divergent analysis on the new agenda: On the one hand, the poverty reduction and participatory narrative linked to the model have appeared to be signalling a genuine shift towards a more social policy agenda. On the other hand however, there has been a contradictory move towards a stricter governance model that seems to be specifically designed to insulate policy-makers from vested interests. The overarching objective of this thesis is to shed new light on this apparent paradox inherent in international aid reform. It seeks to untangle the existing confusion between narrative, assumptions and methods entwined with the so-called PWC.

Specifically, the crux of this thesis is to address the particular contribution of the World Bank in forging, promoting and implementing the PWC. It focuses both on the theoretical sources that triggered the World Bank, under the leadership of James D. Wolfensohn, to adopt a new model and on the political objectives of this agenda. Within such a research focus, the Bank's narrative and its new aid allocation mechanisms are seen as one entity under the label 'Integrated Development Model' (IDM). The IDM – as a main object of study – allows us to transcend common country-based analyses of the Poverty Reduction Strategies (PRS) experience and to re-position the new aid allocation mechanisms within the larger reordering of power on behalf of market-oriented interests.

This theoretical framework brings together key analysis from the field of International Political Economy and emphasises the usefulness of

theories that understand institutional change in terms of conflicts over power and the construction of state authority. The analytical framework of this thesis triangulates the two core concepts of the IDM: *Governance* and *Civil society*, with *citizenship* – the conceptual absentee of the Model. In light of such framework, it is argued that contrary to the mainstream arguments, the *new development paradigm* – as coined by the World Bank – is far more than a mere ‘structural adjustment in disguise’.

The overarching proposition defended in this thesis is that the IDM is part of a contemporary project aimed at locking in neo-liberal policies and achieving the reordering of political and social power necessary for this. Three sub-propositions are further argued. First, the aid reform is closely linked to the former consensus and as such – and contrary to what the Bank has been arguing – the IDM cannot be defined as a ‘new aid paradigm’. Secondly, the IDM represents a fundamental part of a greater socio-political project linked to the political consolidation of the neo-liberal agenda at the global and local levels. Thirdly, and logically, this socio-political project has tangible political consequences closely linked to the idea of citizenship – the conceptual absentee of the IDM.

On the ground, such a socio-political project is implemented by shaping new modes of governance in reforming countries in two complementary ways: by transforming the conditionality model; and secondly, by attempting to capture, co-opt and mobilise civil society elements behind the market agenda. In order to illustrate such arguments, the Poverty Reduction Strategies, which have become the aid reform’s main aid allocation mechanisms, serve as the case study of the thesis.

Crucially, such experiences demonstrate that the IDM represents an attempt to insulate from political competition a highly political and normative agenda, which has proven to be highly problematic in the past. The correlation of the reform’s insulating mechanisms brings forth serious concerns relating to this attempt to embed new modes of authority in PRS countries and as such, to mingle with representative politics. This is to say that the IDM’s systematic attempts to curtail the realm of political society in countries under reform may be characterised as a promotion of a specific form of neo-populism that raises serious concerns over issues linked to the very idea of citizenship.

This contribution brings forth important questions about the consequences of having a multilateral organisation such as the World Bank attempting to insulate from political competition a highly political and

normative agenda for the reordering of social and political power. Crucially, such a process marginalises issues linked to rights, citizenship and political contestation. This study is evermore timely as more than seventy countries have now joined the PRS process, which signifies that the consequences of the transformation of the international aid architecture may shape the fate of a billion and a half people.

Key words: Civil Society; Citizenship; Governance; Parliaments; Participation; Post-Washington Consensus; Poverty Reduction Strategies; James Wolfensohn; World Bank.



Samenvatting

*Een politieke houdgreep: De Wereldbank, het 'Integrated Development Model'
(Model voor geïntegreerde ontwikkeling) en burgerschap op een beslissend moment*

Dit proefschrift gaat over de Wereldbank en de politieke aspecten van de nieuwe opzet van de ontwikkelingshulp.

Het nieuwe beleid op het gebied van de ontwikkelingssamenwerking is een uitvloeisel van de *Post-Washington Consensus* (PWC). Over de werkelijke betekenis van dit beleid zijn de meningen verdeeld. Volgens Joseph Stiglitz betekent dit het einde van het marktfundamentalisme, maar volgens anderen is alleen het taalgebruik veranderd.

Het feit dat de Wereldbank de nieuwe opzet van de ontwikkelingshulp niet eenduidig omschrijft, kan verklaren dat de meningen over dit nieuwe model verdeeld zijn. In dit model is er enerzijds sprake van armoedebestrijding en participatie, wat lijkt te wijzen op een koerswijziging in de richting van een socialer beleid. Aan de andere kant zien we echter een stap in de richting van een bestuursmodel waarin de principes van de vrije markt bepalend lijken te zijn. Het hoofddoel van dit proefschrift is om inzicht te verschaffen in de schijnbare paradox die besloten ligt in de internationale hervorming van de ontwikkelingshulp. Dit onderzoek beoogt de wirwar van beschrijvingen, aannamen en methoden waaruit de PWC bestaat te ontrafelen.

Dit onderzoek richt zich vooral op de bijdrage van de Wereldbank aan het tot stand brengen, propageren en implementeren van de PWC. Het richt zich zowel op de theoretische overwegingen die de Wereldbank onder leiding van James Wolfensohn deden besluiten om een nieuw model in te voeren, als op de politieke doelstellingen van het nieuwe beleid. In dit onderzoek worden het beleid van de Wereldbank en de nieuwe manier waarop de Wereldbank hulp toewijst als één geheel beschouwd, onder de noemer *Integrated Development Model* (IDM; Model voor geïntegreerde ontwikkeling). Door zich te richten op het IDM, hanteert dit onderzoek een hoger analyiseniveau dan onderzoeken die zich richten op de *Poverty Reduction Strategies* (strategieën voor armoedebestri-

ding) binnen één land. Bovendien plaatst het onderzoek de nieuwe wijze waarop hulp wordt toegewezen hierdoor binnen het bredere kader van de hergroepering van macht ten behoeve van de marktsector.

Het theoretisch kader van dit onderzoek omvat de belangrijkste inzichten uit de Internationale Politieke Economie en gaat uit van theorieën die institutionele verandering bezien in termen van machtsconflicten en het opbouwen van het staatsgezag. Dit analytisch kader is vernieuwend omdat het een derde element toevoegt aan de twee kernbegrippen van het IDM (Bestuur en Civiele samenleving). Dit derde ontbrekende element is *Burgerschap*. In tegenstelling tot de heersende opvattingen wordt op grond van dit analytisch kader gesteld dat het nieuwe ontwikkelingsparadigma van de Wereldbank veel meer is dan slechts een ‘verkapte structurele aanpassing’.

De overkoepelende stelling van dit proefschrift is dat het IDM deel uitmaakt van een strategie die op een neoliberal beleid gericht is en dat men de politieke en sociale machtsbalans wil aanpassen om dit doel te bereiken. Deze stelling bestaat uit drie onderdelen. Ten eerste is de hervorming van de ontwikkelingshulp nauw verbonden met de eerder bereikte consensus en daarom is het IDM geen ‘nieuw ontwikkelingsparadigma’, zoals de Wereldbank het noemt. Ten tweede is het IDM een wezenlijk onderdeel van een breder sociaal-politiek project dat te maken heeft met de politieke consolidatie van de neoliberale agenda op mondiaal en lokaal niveau. Ten derde heeft dit sociaal-politieke project logischerwijs tastbare gevolgen die nauw verbonden zijn met het idee van burgerschap. Dit is het begrip dat ontbreekt in het IDM.

Dit sociaal-politieke project wordt in de praktijk geïmplementeerd door nieuwe bestuursvormen in te voeren, waarbij de betreffende landen op twee elkaar aanvullende manieren hervormd worden. De eerste hervorming betreft het conditionaliteitsmodel. Daarnaast probeert men elementen van de civiele samenleving te rekruteren, in te lijven en te mobiliseren om het beleid van marktwerking gestalte te geven. Om dit te illustreren zijn de *Poverty Reduction Strategies*, de belangrijkste wijze waarop hulp wordt toegewezen in de nieuwe structuur, als casestudy in dit proefschrift opgenomen.

Hiermee wordt aangetoond dat het IDM een zeer politieke en normatieve beleidsagenda, die in het verleden voor veel problemen heeft gezorgd, probeert uit te sluiten van politieke concurrentie. De onderlinge samenhang van de uitsluitingsmechanismen die de hervorming met zich

meebrengt is zorgelijk, omdat men op deze wijze probeert een nieuwe vorm van gezag te vestigen in de landen waar de *Poverty Reduction Strategies* gelden. Dit betekent een inmenging in het democratisch proces. De systematische wijze waarop het IDM probeert het politieke domein te beperken in de landen waar de hervormingen doorgevoerd worden, kan beschouwd worden als het bevorderen van een bepaalde vorm van neopopulisme. Dit vormt een serieus probleem voor zaken die verband houden met het idee van burgerschap.

Dit onderzoek roept belangrijke vragen op over het beleid van de Wereldbank. Wat zijn de gevolgen als een dergelijke multilaterale organisatie een zeer politieke en normatieve beleidsagenda, waarmee men de politieke en sociale machtsbalans wil aanpassen, probeert te vrijwaren van politieke concurrentie? Dan worden zaken die te maken hebben met rechten, burgerschap en politieke strijd gemarginaliseerd. Dit onderzoek komt op het juiste moment, omdat ruim zeventig landen zich al bij de *Poverty Reduction Strategies* hebben aangesloten. Dit betekent dat de hervorming van de ontwikkelingshulp gevolgen heeft voor anderhalf miljard mensen.

Trefwoorden: Civiele samenleving, burgerschap, bestuur, parlementen, participatie, *Post-Washington Consensus*, *Poverty Reduction Strategies* (strategieën voor armoedebestrijding), Wereldbank.



Contents

Acknowledgements	III
Abstract	VI
Samenvatting (Abstract in Dutch)	IX
List of Tables and Figures	XV
Acronyms	XVII
1. THE WORLD BANK, THE INTEGRATED DEVELOPMENT MODEL & CITIZENSHIP AT A CROSS ROAD: A FRAMEWORK	18
1.1 Survey of the Debate	21
1.1.1 A ‘Rebel’ With a Cause: Joseph Stiglitz and the ‘New Development Paradigm’	22
1.1.2 The Reactionary Approach: the Internal Turmoil of the World Bank(s)	24
1.1.3 The Civil Society Approach: Business As Usual at the Bank	26
1.2 Aim and Significance of the Study	28
1.3 Research Questions	29
1.4 Theoretical Framework	30
1.4.1 Historical Linkages of the Aid Reform	31
1.4.2 A Socio-Political Project	32
1.4.3 The Socio-Political Impacts of the IDM	34
1.5 Methodology	35
1.5.1 Justification of Sources	36
1.5.2 The Case Study	39
1.6 Structure of the Thesis	41
Notes	43

2. ON SHAKY GROUND: THE BANK'S LEGITIMACY & POLITICAL CRISIS AT THE END OF THE MILLENNIUM	46
2.1 From One Aid Paradigm to the Next: Why the Bank Changes Gears	48
2.1.1 Structural Contradictions, Power Swings, and Stakeholder Constraints: the Anatomy of the World Bank	48
2.1.2 Trying to Keep Up: the Bank and Crisis Management	53
2.2 The Proposal for Change: the Bank's Proposal for a New Development Paradigm	62
2.2.1 A President With a Mission	62
2.2.2 Implementing Wolfensohn's Vision: the Pillars of the Reform	64
Conclusion	68
Notes	69
3. THE NEW INSTITUTIONAL ECONOMICS AND THE POLITICS OF THE POST-WASHINGTON CONSENSUS	74
3.1 Stiglitz's Post-Washington Consensus and New Institutional Economics: Building the Case for the State	76
3.2 The Politics of the PWC	81
3.3 The New Social Development Narrative	87
Conclusion	92
Notes	93
4. POLITICS AS ANTI-POLITICS	94
4.1 Re-Thinking Conditionality: the World Bank and the New Aid Allocation Mechanisms	96
4.2 Flirting with Politics: the Bank and Governance	102
4.3 Building the Self-Restraining State	108
Conclusion	114
Notes	115

5. THE WORLD BANK'S PARTICIPATORY AGENDA: AN ANALYSIS OF THE PRS EXPERIENCES	120
5.1 The Changing Participatory Agenda at the Bank	121
5.2 Participation and the PRS: from Narrative to Implementation	125
5.3 The Morning After: Do Consultations Influence the Papers?	130
5.4 On Fragile Ground: the Politics of Participation	137
5.4.1 To provide a Techno-Managerial Accountability	137
5.4.2 Managing Dissent	139
5.4.3 Providing Services to the Poor as Sub-Contractors of the State	140
Conclusion	144
Notes	145
6. THE POLITICS OF ENTRAPMENT: THE IDM'S NEO-POPULIST AGENDA	148
6.1 The Politics of Entrapment: Civil Society vis-à-vis the State	149
6.2 The Ambiguity of Ownership: Parliaments & the PRS Process	154
6.3 Acknowledging Parliaments	156
6.3.1 Integrating Parliaments Into the PRS Narrative	158
6.3.2 Co-opting Parliaments	161
6.4 Market Citizenship	165
Conclusion	169
Notes	171
7. CONCLUSION	173
Notes	182
REFERENCES	183
RESUME	206



List of Tables and Figures

Tables

Table 2.1 From One Aid Paradigm to the Other at the World Bank	65
Table 2.2 Countries engaged in a PRS process	68
Table 3.1 The World Bank's Development Paradigms in Comparison	80
Table 5.1 Standard IMF and World Bank Policies in 42 PRSPs	133

Figures

Figure 6.1 Possible Mechanisms for Parliamentary Engagement in the PRSP Cycle	159
Figure 6.2 The Budget Cycle	163
Figure 6.3 The IDM and the Contraction of Political Society	168
Figure 6.4 The IDM and the Dislocation from the Realm of Political Society	168



Acronyms

CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CIDA	Canadian International Development Agency
CPIA	Country Policy and Institutional Assessment
CPR	Country Performance Rating
CSO	Civil Society Organisation
DAC	Development Assistance Committee
ESAF	Enhanced Structural Adjustment Facility
EURODAD	European Network on Debt and Development
HIPC	Heavily Indebted Poor Country
HIPC II	Enhanced Heavily Indebted Poor Countries Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDM	Integrated Development Model
IEG	Independent Evaluation Group
IFI	International Financial Institution
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
MDG	Millennium Development Goals
MP	Member of Parliament
NGO	Non-governmental Organisation
NIE	New Institutional Economics
NPE	New Political Economy
OECD	Organisation for Economic Co-operation and Development
OED	Operation Evaluation Department
PRGF	Poverty Reduction and Growth Strategy
PRS	Poverty Reduction Strategies
PRSC	Poverty Reduction Support Credits

PRSP	Poverty Reduction Strategy Paper
PWC	post-Washington Consensus
SAP	Structural Adjustment Program
SAPRIN	Structural Adjustment Participatory Review International Network
SWAp	Sector wide approach
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Develop- ment
WDR	World Development Report

1

The World Bank, the Integrated Development Model & Citizenship at a Cross Road: A Framework

Introduction

The past two decades have witnessed drastic changes in development theory and policy. The trauma of the Asian financial crisis, the questionable record of structural adjustment programs, the unsettling entrance of the eastern block countries into capitalist markets, and the rise of anti-globalisation movements, have indeed led the greater international aid community to rethink the basis of the policy prescriptions that became known as the Washington Consensus (Williamson 1989).

Under the Washington Consensus, indebted countries were expected to liberalise markets, privatise public enterprises, apply constraint to fiscal policy and control money supply in order to seek economic growth. The later consensus was thrust upon developing countries via the Structural Adjustment Programs (SAPs), which were introduced in the early 1980s as a set of short-term measures to remove the inefficiencies considered responsible for the debt crisis that had struck developing countries at that time. Championed by the conservative Reagan-Thatcher duo, SAPs were intended to pave the way for a system of markets free of intervention. Neo-classical economists had laid the blame for the debt crisis at the feet of developing states; whether for their perceived expansionist bureaucracies, misguided economic policies or corrupt leaders. However, SAPs often failed to generate economic growth and the expected 'trickle down effect' did not emerge to level off the social and environmental consequences of such economic prescriptions. Coincidentally, the ascent of the post-Washington Consensus (PWC) reflects not only a perceived need to mend the flaws of the former consensus but also to acknowledge the urgency of the social dimension of development.

While grappling with its own internal contradictions and subjected to external pressures, it is the World Bank (the Bank) that quickly took the leadership role in carrying out the foundations of a new international aid architecture. The Bank gives paternity to the rise of such ideas to its ninth president, James D. Wolfensohn (1995-2005). In 1998, the 'Renaissance Banker' (World Bank 2008g) introduced the first corner stone of what was to become the institution's new 'aid paradigm': the Comprehensive Development Framework (CDF). The new framework was expected to drastically change the way the Bank and the other major donors thought about, planned and allocated international aid – a process that was soon to be extended to debt relief. Recognizing the pivotal role that should be played by state and civil society alike, this model was to put developing countries' governments back 'in the driver's seat' (Wolfensohn 1999a).

Less than a year after Wolfensohn's proposal, the World Bank launched the Poverty Reduction Strategies (PRS), a new aid allocation mechanism that was expected to carry out the CDF philosophy. The central stated objective of the PRS is to tackle poverty. Swamped with the burden of debt and weak economic growth, governments of Heavily Indebted Poor Countries (HIPC) faced a blatant incapacity to reach the international development goals. As such, the objective of the Strategy, which must be summarised in a Poverty Reduction Strategy Paper (PRSP), is to orient the funds freed from debt relief toward poverty reduction. In effect, PRS replaced the structural adjustment paradigm and as such, they represented a new form of conditionality.

The PRS carried with them a strong narrative for participation. With the Millennium Development Goals (MDG) providing their central parameters, PRS were to enhance local populations' participation, foster greater coherence in aid allocation and overall, set new ground for innovative partnerships between state, donors and civil society. Along a greater involvement of the state, PRSPs were to be written by governments along with the participation of 'civil society'. Fostering local ownership and social capital, civil society's participation would, according to the Bank's proposed framework, increase the reforms' efficiency. Civil Society Organisations (CSOs) became *de facto* one of the key actors representing the poor in the participatory process.

This thesis sets out to investigate the political dimensions of this new international aid architecture promulgated by the Bank under the Wolf-

ensohn presidency. It seeks to untangle the contradictory narratives that it has brought forth. On the one hand, the poverty reduction and participatory narrative linked to the new model have indeed appeared to signal a genuine shift towards a more social-oriented agenda. On the other hand, there has been a contradictory move towards a stricter governance model that seems to be specifically designed to insulate policymakers from vested interests. As such, the overarching objective of this thesis is to shed a new light on this apparent paradox inherent to the international aid reform.

This chapter is divided into six sections. The following section represents a first step to untangle the overall confusion between narrative, assumptions and methods entwined with the Bank's new aid paradigm, which is itself rooted in the PWC. The review of the debate presents three main approaches that have emerged to explain this shift to a new international aid architecture.

The aim and significance of the study are laid out in section two. Specifically, this thesis addresses the particular contribution of the World Bank in forging, promoting and implementing the PWC. It focuses on the theoretical sources that triggered the Bank to adopt such a model, its political objectives, as well as the implementation strategies that it has set forth. The crux of the thesis is to tease out the consequences of such model on the political spaces of PRS countries.

In section three, the research questions are presented. The main question relates to how the World Bank's aid reform – the Integrated Development Model – derives from a larger reordering of power linked to the consolidation of the neo-liberal agenda. It further asks how such processes are changing power relations in countries under reform in terms of political representation.

The sub-sequent section of this chapter is dedicated to the conceptual framework which guides the main propositions of this thesis. The framework builds on a range of scholarly contributions that understands institutional change in terms of conflicts over power and the construction of state authority. The central proposition defended is that the Bank's new model is part of the contemporary neo-liberal project and serves to lock-in neo-liberal policies. Three sub-propositions are further presented, one relating to the contestation of the 'novel' nature of the new aid framework, one relating to the implementation process of the

reform and one relating to the political consequences of such model on the ground.

Following the methodology section, which allows for the explanation of how the research problem will be tackled, an introduction of the thesis overall structure will be presented.

1.1 Survey of the Debate

The restructuring of the international aid architecture has been both praised and severely criticized, not only by the conservative right and by liberals but also by international NGOs, academia and think tanks, both in the Global South and the North. The core of the contentions has been over whether the new model's take on governance and social institution is one that redefines development policy in terms of the needs of civil society and local interests, or one that simply attempts to co-opt them within the agendas of the market.

In order to untangle the literature on the subject, three main approaches to this problem of development policy are proposed. An obvious first approach is to look at the ideas of Joseph Stiglitz, the World Bank Chief Economist from February 1997-2000, who is commonly referred to as the architect of the PWC. Stiglitz's approach has been pivotal in influencing the new aid model in respect to the difficulties of institution building, participation and democratic change in countries under reform. A second approach, which constitutes a critical reaction to the Stiglitz reforms, is that of New Institutional Economic (NIE) theorists which are still influential in the World Bank. This approach can be teased out by looking at some of the key disputes within the World Bank and the way different departments have influenced the reform. NIE theorists are highly critical of the new emphasis on civil society, preferring to focus on governance as an instrument for insulating technocratic decision-makers from vested interests. The third approach comes from the participatory narrative driven mainly by development NGOs and focuses on the positive effects of participation on governance, while criticising the failure of the new institutional and social agendas to shift power to communities.

After analysing these three approaches, it will become clear that they have not given enough consideration to the impact of both the narrative of the aid reform and its implementation process. An alternative frame-

work which takes into account these two realities will thus be proposed in this chapter.

1.1.1 A 'Rebel' With a Cause: Joseph Stiglitz and the 'New Development Paradigm'

In 1998, Joseph Stiglitz challenged some of the fundamental assumptions of the Washington Consensus. He suggested a need to retreat from the ideas of what he termed 'market fundamentalism' as well as a need to adopt a 'post-Washington Consensus' (Stiglitz 1998a). Denouncing the narrow pursuit of economic growth through market deregulation, Stiglitz argued that it was imperative to recognize that institutions were important and a certain amount of state intervention in the economy could have positive effects:

[...] governments can make matters worse. No doubt, the Washington Consensus represented, in part, a reaction to the failures of the state in attempting to correct those of the market. But the pendulum swung too far in the other direction and for too long. The consensus policies often assumed the worst about the nature and capability of governments and made that one size fits all (Stiglitz 2004: 3).

The former Chief Economist further argues:

[W]e have come to a better understanding of what makes markets work better. The Washington Consensus held that good economic performance required liberalized trade, macroeconomic stability, and getting prices right. Once the government handled these issues – essentially, once the government 'got out of the way' – private markets would produce efficient allocations and growth. To be sure, all of these are important for markets to work. [...] But the policies advanced by the Washington Consensus are hardly complete and sometimes misguided. Making markets work requires more than just low inflation, it requires sound financial regulation, competition policy, and policies to facilitate the transfer of technology, and transparency, to name some fundamental issues neglected by the Washington Consensus (Stiglitz 1998a: 1).

Such evidence was strongly supported by the East Asian miracle, which drastically contrasted with the systematic failure of the African continent to spur economic growth – a continent that ironically, was following the orthodox prescriptions of the Washington Consensus. While indeed fiscally conservative, East Asian states played an important role in

the economic success of these countries¹. As observed by Fine, the East Asian miracle can be read not simply as reaffirming the market but more as a renewal of a belief in the role of the state (Fine, Lapavitsas and Pincus 2001: 2). After more than two decades of being shunned, Stiglitz was making the case for letting the state back in: ‘the choice should not be whether the state should or should not be involved. Instead, it is often a matter of how it gets involved’ (Stiglitz 1998a: 14). The core idea here is to have the state and the markets play complementary roles with the state paving the way for markets where imperfections arise (Stiglitz 1998a: 14). Stiglitz brought together ideas that challenged the concept of the self-regulating market and the need for strong institutions to regulate its operations. As such, he did contribute to broaden the analytical and policy scope of the Washington Consensus.

Another important segment of Stiglitz’s design is linked to the social development agenda. He stated that the importance of broadening development objectives to include social goals – such as sustainable development, egalitarian development, and democratic development (Stiglitz 1998a). Stiglitz argued that an important part of development today would be to seek complementary strategies that advance these goals simultaneously:

We seek increases in living standards – including improved health and education – not just increases in measured GDP. We seek sustainable development, which includes preserving our natural resources and maintaining a healthy environment. We seek equitable development, which ensures that all groups in society enjoy the fruits of development, not just the few at the top. And, we seek democratic development, in which citizens participate in a variety of ways in making the decisions which affect their lives. Knowledge has not kept pace with the proliferation of our goals. We are only beginning to understand the relationship between democratization, inequality, environmental protection, and growth. What we do know holds out the promise of developing complementary strategies that can move us toward all of these objectives (Stiglitz 1998a: 18).

This new emphasis on the social dimension of development, coupled with the pivotal role to be assumed by the state, does reflect an important change away from the Washington Consensus. While the PWC indeed broadened the analytical and policy scope, Fine, Lapavitsas and Pincus conclude that it fails to challenge the roots of the former model or to consider alternatives for future perspectives (2001: 4). In the intro-

duction of an important compilation of critical assessment of the emerging PWC – *Development Policy in the Twenty-first Century: Beyond the post-Washington consensus*, Fine underlines that the PWC's:

[...] intellectual narrowness and reductionism remain striking, for it replaces an understanding of the economy as relying harmoniously on the market by an understanding of society as a whole based on (informational) market imperfections (Fine, Lapavistas and Pincus 2001: 4).

Stiglitz's work does not stray far from orthodox economics. Fine further points out that Stiglitz's argument remain based on methodological individualism, and fails to acknowledge the political and historical dimensions of the Washington Consensus.

An important point of this thesis is to highlight the fact that the overwhelming focus on what Carroll has labelled the 'Stiglitzian Post-Washington consensus' (2007: 11), fails to render a complete picture of the new agenda. In fact, while Stiglitz did have an important influence on the blue prints of the latest aid framework, the reform has had other important influences; some within the World Bank itself and others from the NIE academic stronghold. As underlined in the next approach, the Bank itself was exploring key debates and concepts long before Stiglitz's undertaking.

1.1.2 The Reactionary Approach: the Internal Turmoil of the World Bank(s)

The World Bank's own literature on the new aid agenda is both descriptive and prescriptive. It is also often contradictory, as it reflects the internal turmoil that pushed the institution to adopt a particular framework.

Contrary to the World Bank's own simplistic narrative of the reform's timeline, the emergence of the new aid agenda is far from being solely equated to James D. Wolfensohn's official quest to tackle world poverty. As shown in detail in the next chapter, the aid reform has been the product of power struggles within the institution, and of greater international events.

It is no coincidence that the aid reform emerged during Wolfensohn's presidency at the Bank. As he took his position in 1995, Wolfensohn inherited an arrogant institution taking fire from all sides of the spectrum². Amongst the numerous verbal critics, the international campaign *Fifty Years is Enough*³ did a lot to tarnish the institution's already unsteady reputation. The environmental impact of Bank financed mega-projects

(see Goldman 2005), the systematic failure to consult local stakeholders, and the overall lack of transparency of the institution, were some elements of the shaky legacy of Wolfensohn's predecessors – Lewis Preston and Barber Conable. Not only was the Bank now far from McNamara's poverty focused narrative of the 1970s (Kapur, Prior Lewis and Webb 1997), it was also coming under fire from the conservative right who frowned upon the institution's weak performances with public moneys.

While this serious legitimacy crisis was an important factor for instigating the institution's change, the Bank's own *Social Development Network* had a solid influence on the social narrative at the core of the reform. Flag concepts associated to the poverty reduction narrative, such as 'participation', 'partnership' and more importantly 'social capital', emerged out of the relatively small department. The overwhelming emphasis on such social concepts within the aid reform led many to argue that the Bank was finally democratising its aid structures. From this perspective, the participatory agenda now promoted by the Bank would bring forth a genuine empowerment of local entities – although not without difficulties⁴.

More radical studies have argued that orthodox economists, who outnumber the other social scientists at the Bank, have 'hijacked' the social development narrative in the institution to serve other ends (Fine, Lapavistas and Pincus 2001; Harriss 2002). In fact, while the social narrative was streamlined within the Bank, it also coincided – more often collided – with another important debate at the heart of the aid reform: the conditionality dilemma and the overall efficiency of multilateral aid⁵.

The influence of the report *Assessing Aid* (World Bank 1998a) resonates within one of the main pillars of the Bank's CDF: the call for a 'new partnership' amongst donors and state clients. Amidst this literature, it has been suggested that aid should reflect a new partnership between donors and indebted countries, in order to trade 'conditionality' for 'selectivity'⁶. The proponents of 'aid selectivity' make their case by stating that the imperfection of markets remain less of an evil than the state's imperfections. In this view, rent-seeking behaviour by governments coupled with protectionism distorts prices and leads to market failure. These critical assessments of the state have been the basis of the SAPs and thus, a shift toward a poverty reduction focused agenda is seen as a step away from the primary goals of economic efficiency and of deregulated markets. The renewed gains of the governance agenda within

the new international framework are telling of the strength of these ideas at the Bank. As such, the overwhelming emphasis on the concept of governance within the institution's latest framework is undeniably the result of the close affinities between the institution's staff – mostly economists – and academic theorists of the public choice school and NIE. The governance umbrella has thus been key in reforming conditionality and promoting legal-judicial reforms, which as argued in the following contribution, serve to isolate market-enabling policies from political realms.

However, the internal resistance to the emerging social agenda at the Bank was also largely based on the belief that rigorous introduction of market reforms would ultimately force change on the ground. As such, traditionalist orthodox economists not only resisted ideas about participation and targeted social policies but also some of the governance and institutional reform programmes.

Beyond the paradoxes of its own organisational structures as well as the struggle against its loan culture, the Bank's new agenda must also be studied in light of the new aid allocation mechanisms that it has set forth. The key point is that the implementation process of the PRS – the very aid allocation mechanisms which serve to implement the new agenda – is vital to the explanation of the ever-changing narrative of the reform and the different directions it has taken since its inception. In fact, PRS processes are crucial to effectively challenging the narrative of what the new agenda should be and what it actually does in practice, as analysed in the following section.

1.1.3 The Civil Society Approach: Business As Usual at the Bank

While Stiglitz and some elements at the Bank advocated for greater participatory schemes, this change in direction has also been the subject of much criticism and caution. Indeed the past decade has witnessed a growing backlash against participatory approaches⁷.

International NGOs have been key in monitoring the World Bank's new participatory agenda – such as Bank Information Centre, Bretton Woods Project, EURODAD, Oxfam International, Southern Civil Society, World Development Movement, World Vision, etc. The value added by these monitoring activities has unquestionably been the country-by-country follow-up of the PRS process; the new aid architecture's main allocation mechanisms. A common methodology adopted by these stud-

ies has been to analyse the existing contradictions between the participatory agenda of the PRS and the actual experiences of the different countries implementing them.

Although experiences have been somewhat different from one country to another, the official narrative of the reform has often clashed with the reality of the implementation process. This clash has led to a general suspicion that the Bank's shift would be more a public relation endeavour than a genuine intention to embrace a wide participatory process. Such failure of participatory approaches at the heart of the Bank's new model to foster meaningful change and to help tackle poverty is a common theme in the analyses of international NGOs. Save the Children Fund, for example, asks whether the new model is truly participatory: 'does it represent business as usual, or is it a new way of thinking and tackling poverty' (2001: 8)? For World Vision: 'the changes of recent years have amounted to little more than tinkering with a process that urgently requires a fundamental overhaul' (Wood 2004: 5). For EURODAD – a network of European development NGOs – the problem is straightforward: the poor are not participating, they are being participated (2001b: 8). Analyses of PRS experience do find conclusive evidence to contradict the Bank's official narrative, which portrays PRSPs as a 'country driven' initiative. World Development Movement concludes that: '[...] despite the fine words surrounding participation and 'country-ownership', the evidence demonstrates that PRSPs have become a rubber-stamping exercise for conventional Bank and Fund policies' (Jones and Hardstaff 2005: 7).

In light of such critical assessments, many international NGOs further proceeded to prescribe changes to the current practices. Policy prescriptions were suggested in all stages of the aid allocation mechanisms cycle in order to improve the quality of the participatory process⁸. However, this thesis puts forth the arguments that such prescriptions remain firmly nestled within the very framework that they are seeking to criticise. This is to say that while many international NGOs have critically analysed the new aid architecture in terms of the contradictions between its narrative and its implementation process, it is here argued that even such critics have often remained trapped within the very prescriptions of the main narrative.

This overview of the three main analyses of the new aid reform can be summed up by two major trends which appear to be contradictory:

On the one hand, the aid reform is emphasising poverty reduction and participation which appears to signal a genuine shift towards a more social policy agenda. On the other hand however, there appears to be a contradictory move towards a stricter governance model that is designed specifically to insulate policy-makers from vested interests. This thesis represents an attempt to address this apparent paradox.

1.2 The Aim and Significance of the Study

In this thesis, the new aid agenda is seen as far more than a simple discursive endeavour. As such, it is argued that the model triggered by the World Bank under the leadership of James D. Wolfensohn, cannot be defined solely by its aid allocation mechanisms or its narrative. In order to emphasise this reality, the combination of the World Bank's narrative and the implementation mechanisms attached to the reform⁹ are referred to as the 'Integrated Development Model' (IDM)¹⁰. This cornerstone of the framework is helpful in order to avoid the trap of analysing the new aid architecture strictly within the discursive compounds of the World Bank. As such, the very assumptions of both the protagonists of the model – certain segments of the Bank and Stiglitz – and the critical perspectives which suggest that it is 'business as usual in the aid conditionality business' (Oxfam International 2001: 5), are challenged.

The aim of this thesis is to go beyond the mainstream critical and prescriptive approaches addressed to the new aid agenda. This is accomplished by analysing: the theoretical sources that triggered the World Bank to adopt a new model; the impacts that such a model is intended to have on reforming economies; and crucially, what possible consequences it may have on ideas of citizenship.

Such objectives are closely entwined with the current debate over the nature of the PWC itself. As such, the research builds on the ideas of critical International Political Economy (IPE) authors who are challenging the mainstream conceptualisations of the PWC and the shift at the Bank, as explained in the section pertaining to the theoretical framework of this thesis. The theoretical target of this thesis is to provide an analysis of the IDM in terms of the larger reordering of power on behalf of market-oriented interests. The analytical framework's given originality is to specifically triangulate the two core concepts of the World Bank's new model: *Governance* and *Civil society*, with the conceptual absentee of the IDM: *citizenship*. In other words, the thesis provides an analysis of the

Bank's conceptualisation of the state and civil society and assesses its attempts to carry out this agenda on the ground – primarily (but not exclusively) via the PRS process.

Empirically, this contribution investigates the political ramifications of PRS processes in countries under reform. It therefore evaluates the transformation of democratic structures carried out by PRS in reforming countries– i.e. on the executive, legislative and judiciary branches. This thesis' significance therefore, is to map how the PRS are shaping new modes of governance in reforming countries in two complementary ways: by transforming the conditionality model; and secondly, by attempting to capture, co-opt and mobilise civil society elements behind the market agenda.

As further explained in the methodology section of this chapter, an important initiative of the thesis is to focus on the IDM itself rather than on the PRSP process of a specific country. This reflects the need to transcend current analyses and to reposition the strategies in their global framework, rather than only focusing on the technical process that led to the production of the strategies themselves.

1.3 Research Questions

This thesis asks how the World Bank's aid reform – the IDM – relates to a larger reordering of power linked to the consolidation of the neoliberal agenda. It further asks how such processes are changing power relations in countries under reform in terms of political representation.

Three sub-research questions are further investigated in the thesis. First, the global and internal forces that have pushed the Bank to adopt the IDM are investigated. This is done in light of the contradictory nature of the IDM itself, as it emphasises both a social policy narrative and a stricter governance model that appears to be specifically designed to insulate policy-makers from vested interests. Secondly, the theoretical bases of the aid reform are investigated and the question of whether they are linked to a particular reordering of power is tackled. Thirdly, it asks how PRS – the IDM's main aid allocation mechanisms – are in practice reordering power at the global and local levels.

In order to address the research questions, the thesis argumentation is cast within three core propositions. First, the aid reform is closely linked to the former consensus and as such – and contrary to what the Bank has been arguing – the IDM should not be defined as a new aid paradigm.

Intrinsically linked to this is the fact that the IDM should be viewed as a fundamental part of a greater socio-political project linked to the political consolidation of the neo-liberal agenda at the global and local levels. Thirdly, and logically, this socio-political project has tangible political consequences closely linked to the idea of citizenship – the conceptual absentee of the IDM. This is further explained in the theoretical section of this chapter.

1.4 The Theoretical Framework

The theoretical framework builds upon the work of two sets of critical authors from the field of IPE¹¹.

First, it relies on the framework of important authors who have critically re-examined the PWC and defined it as an attempt to *embed* neoliberalism. This is a rich literature that frames the overall thesis – such as Cammack (2003), Fine, Lapavistas and Pincus (2001), Gill (1995; 2000). Soederberg (2004b) refers to the *New International Financial Architecture*, which she defines as a class-based strategy that forces the Global South to accede to the neoliberal rules of free market mobility. Cammack (2003) refers to the ‘completion of the world market’, while Gill refers to the ‘political project of attempting to make transnational liberal, and if possible liberal democratic capitalism, the sole model of future development’ (Gill 1995: 8).

The thesis also builds on the work of authors who have set out to disaggregate the assumption of NIE by mapping out: ‘the interests and conflict associated with class relations and global capitalism that give rise to specific complexions of social structures’ (Rodan, Hewison and Robison 2001: 86). What is imperative to distinguish is that while some assume change can be induced by means of institutional engineering and others by market reforms, the social conflict approach rather suggests that both markets and institutions are the products of conflict over power and its distribution. Social conflict theorists therefore, understands institutional changes in terms of conflicts over power and the construction of state authority – such as Chaudhry (1994), Hadiz (2004), Higgott and Robison (1985), Jayasuriya (2001, 2003, 2006), Robison (2006a, 2006b), Robison and Rodan (2001).

The framework of this thesis further builds upon authors who have studied the World Bank in a way that underlines the specific impact of its policies on power relations on the ground – such as Campbell (1996,

1997, 2000a, 2005), Harrison (2004, 2006), Taylor (2004) and Harriss (2002).

Building on these authors' contributions, this thesis provides a theoretical analysis of the Bank's unique contribution to the PWC. The IDM therefore, which is seen as a specific agenda encompassing both the PWC narrative and new aid allocation mechanisms, is a crucial construct to address the local/global nexus contradictions inherent to the Bank's agenda. In other words, the thesis investigates how the IDM relates to the shifts in neoliberalism, as well as to local experiences with power re-ordering.

An important feature of the analytical framework is to specifically triangulate the two core concepts of the World Bank's new model: *Governance* and *Civil society* (and other key concepts linked to the Bank's social development and poverty reduction narrative – such as participation, social capital, ownership), with the conceptual absentee of the IDM: *citizenship*.

The central proposition which derives from this framework is that the Bank's new model is part of the contemporary neo-liberal project and serves to lock-in neo-liberal policies. Specifically, the IDM represents an attempt to insulate from political competition a highly political and normative agenda, which has proven to be highly problematic in the past. The correlation of the reform's insulating mechanisms brings forth serious concerns relating to this attempt to embed new modes of authority in PRS countries and as such, to mingle with representative politics. This is to say that the IDM's systematic attempts to curtail the realm of political society in countries under reform may be characterised as a promotion of a specific form of neo-populism that raises serious concerns over issues linked to the very idea of citizenship.

This core statement is further explained in the following section where three sub-propositions are presented: one relating to the contestation of the 'novel' nature of the new aid framework, one relating to the implementation process of the reform and one relating to the political consequences of such model in terms of political representation.

1.4.1 Historical Linkages of the Aid Reform

In the introduction of 'Neither the Washington Consensus nor the Post-Washington Consensus', Ben Fine (2001) suggests that the PWC is directly embedded in the earlier consensus but the difference is that it ac-

knowledges and addresses market imperfections. In other words, while indeed introducing a shift in the former practices, the PWC does not challenge the roots of the former consensus. So while there is a change, it is one that is far from radical politics as it does not dispute the neo-liberal basis of the structural adjustment era.

In terms of the IDM, this implies that the current agenda should be read as an extension of the old consensus, an extension fuelled both by the successes and failures of two decades of structural adjustment conditionality. Harrison (2004; 2006) and Campbell (1996, 1997, 2000a, 2005) demonstrate how the interventions of major donors— mostly the World Bank — have led to successive generations of political engineering within countries under reform — most importantly in Africa. As such, the authors suggest that the new social and political considerations brought forth by the PWC should not be read as the demise of the neo-liberal agenda but rather as a new step in the project of embedding neo-liberalism (Harrison 2004: 5). Such historical assessment of the shift from the Washington consensus to the PWC also has a strong hold in the work of Jayasuriya (2001; 2003; 2006).

So while there is continuity in the change, one might argue that the case for studying the ‘not so new’ framework is old news, as ample literature is readily available on the subject. The Washington Consensus and the structural adjustment era — notwithstanding specific case studies on the socio-economic, political and environmental impacts of such a neo-liberal framework, have indeed led to a prolific literature (Such as Caufield 1997; Cornia, Jolly and Stewart 1987; Culpeper 1997; Goldman 2005; Harrigan, Mosley and Toye 1995; Mallaby 2004; Peet 2003; Sarasin 1999; Toye 1987). However, as argued in the thesis, there is a fundamental shift currently taking place in the global aid architecture, one that indeed rests on the premises of the former consensus but pushes forward into the fabric of society. This introduction makes the case for the study of the politics of such change by emphasising its impact on the political society of countries under reform.

1.4.2 A Socio-Political Project

In addition to the significance of acknowledging the historical setting of the aid reform, a second pivotal characteristic of the framework is the emphasis on the IDM as a socio-political project.

While the governance agenda linked to the Bank's conditionalities has indeed significantly transformed economic policies within countries under reform over the last two decades, the neo-liberal model has been facing increasing challenges¹². Amongst these challenges, the social, economic and environmental impacts of neo-liberal policies have spurred local, national and global contestation and as a result, political tensions have been brewing. What this implies is that neo-liberals were forced to transform the model in order to address its internal contradictions. As such, the PWC may be viewed as an attempt to consolidate the neo-liberal model by extending it to the political and social realm. Propelled by NIE principles, this serves to address two distinct challenges: on the one hand to fill the institutional void now recognised as necessary to address market failure and on the other hand, to introduce new forms and practices of social regulation.

As argued by Jayasuriya the PWC is '[...] an attempt to develop a political institutional framework to embed the structural adjustment policies of the Washington Consensus' (2003: 2). Fine, Lapavistas and Pincus suggest that while the PWC does broaden the analytical and policy scope of the earlier consensus, it does so: '[...] by 'completely by-passing all criticism of its predecessor that is not based on an approach tied to its own understanding of market imperfections, and it precludes such approaches as alternatives for future perspectives' (2001: 4).

Building on Fine and Jayasuriya's work on the PWC, the thesis suggests that the Bank's IDM quest to transform the political society in countries under reform should be seen as a socio-political project. Furthermore, such a project should be viewed as a new corner stone of Gill's *New Constitutionalism*, which he defines as a 'political project of attempting to make transnational liberal, and if possible liberal democratic capitalism, the sole model of future development' (Gill 1995: 8). Applied to the case of the World Bank, this translates into the institution's effort to reshape internal and external structures of the state to create an 'enabling state' (Gill 2000: 6).

Such a framework is useful to analyse the processes of the IDM in relation to the new institutional imperatives coupled with the social narrative that it promotes.

1.4.3 The Socio-Political Impacts of the IDM on the Ground

The third central argument of the thesis relates to the implementation process of the IDM. It suggests that its aid allocation mechanisms – primarily the PRS – are instruments to carry out the Bank’s socio-political project. The central aim of the IDM’s aid allocation mechanisms is to lock-in market-enabling policies while simultaneously managing the opposition that arises from the reforms. This clearly stems out of the specific roles assigned to both states under reform and civil society. These new roles are vital components of the new neo-liberal form that is embedded in the PRS processes.

On the state side, a close examination of the historical process of the Bank’s conditionalities – mostly under the governance umbrella – is crucial (see Campbell 1996, 1997, 2000, 2005; Dollar and Levin 2004; Harrigan, Mosley and Toye 1995; Jayasuriya 2001, 2003). Harrison (2004) observes that while a first generation of reforms was focused on economic liberalisation – i.e. the rolling back of the state, a second generation of reforms is more interested with ‘the *nature* of the state action and its scope’ (Harrison 2004: 18). While the PWC remains nestled in orthodox economics, it indeed adds an important twist: the idea that states must intervene to correct market imperfections – a change that is in itself, argues Fine, hardly novel (Fine, Lapavitsas and Pincus 2001: 5). However obvious, the growing influence of New Institutionalism has gradually paved the way for what would have been considered heresy a decade ago within economist conservative bastion¹³. The change is important within development policy as it now suggests that state stability is the guarantor of the health of the market (Harrison 2004: 19). Building on the ambiguous governance decade, the PWC’s take on the state remains functionalist and minimalist and introduces specific sets of institutional and legal reforms that entail highly political stakes (Biersteker 1990; Campbell 1996, 1997, 2000b, 2005). As such, the PRS serve to lock-in neo-liberal policies – i.e. to insulate neoliberal policy prescriptions from political contestation – by using legal-juridical mechanisms (Gill 1995).

It is with this mutation in mind that the Bank’s new focus on civil society should be analysed – as well as the poverty reduction narrative attached to it¹⁴. What in fact the framework seeks to achieve is to build on the Washington Consensus foundations to extend its outreach to non-orthodox realms such as civil society (Biekart 1999; Edwards 2004; Hearn 1999; Hickey and Mohan 2005; Van Rooy 1997; Wood 1990). At

the core of the IDM is the new belief that civil society can be usefully put to work in order to manage the social impacts of the reforms without having to rethink the reforms themselves. While this role assigned to civil society does indeed represent a balm on the drastic economic medicine prescribed by the International Financial Institutions (IFI) in the last decades, it does however, denigrate its other functions, which might come to have served to challenge the framework it is now integrated into¹⁵.

The thesis specifically looks at how such redefinition of the roles for civil society and the state are being carried out by the PRS process. The objective is to exemplify how the IDM is posing serious strains on the political society of countries under reform. It becomes clear that PRS seek to neutralise the realm of political society in countries under reform by shifting power relations amongst the different structures of the state itself – legislative, executive and judiciary, and between the state and civil society. In this study, it is argued that under the IDM, the concept of citizenship is reduced to the technicalities of participating in the electoral process.

1.5 Methodology

The thesis arguments rest on a qualitative methodology and draw from a wide range of sources: primary and secondary data analyses, as well as in-depth personal interviews. The main focus of the thesis relates to the impact and intention of policies linked to the IDM and as such, the research strategy was explanatory and critical in nature.

This research is imbedded in a limited set of critical literature which has sought to link the World Bank's policies to the larger reordering of power in favour of market interests. Building on the insights of these authors, the thesis specifically maps the theoretical sources that triggered the World Bank to adopt a new model; the impacts that such model is intended to have on reforming economies; and crucially, what possible consequences such model may have on ideas of citizenship.

Key to the thesis has been the attempt to transcend conventional methodologies used to study the PRS processes so far. This has implied two strategic methodological choices: one in relation to the construction of the theoretical framework and one relating to the choice of the case study.

1.5.1 Justification of Sources

The term *Integrated Development Model* (IDM) as the central focus of the study, reflects a methodological choice in itself. It allows for the desegregation of generic terms such as the ‘new international aid architecture’ and ‘post-Washington Consensus’ by focussing strictly on the World Bank’s own contribution to the current transformation of the aid architecture. The term IDM also purposely focuses on the fact that the Bank’s reform has been a mix of narrative and aid allocation mechanisms. Such differentiation sets the ground for the analysis of the Bank’s narrative and the implementation processes by emphasising their complementary nature.

Methodologically, this has called for an historical analysis to map the Bank’s transforming agendas, confronting the Bank’s narrative to the actual changes that have taken place. The time-line analysed has focused mainly on the structural shifts in the planning period 1970s; the structural adjustment period 1980-1991; the Governance period 1997-1999; and of course, the IDM period 1998-2008.

The primary data for the historical analysis consisted of official publications from the World Bank, as well as key critical literature on the different historical periods studied¹⁶. Such analysis allows for the identification of the important historical factors underpinning the Bank’s decision to embrace a new development paradigm, a process that permits to differentiate between the official narrative and the actual motives for change.

While specifically focussing on the IDM, the proposed theoretical framework brings together key authors from the field of IPE and proposes to highlight the intrinsic political nature of the reform¹⁷. Such framework allows for the study of the apparent contradictions within the Bank’s new aid agenda; the contrasts between the Bank’s social development narrative and its governance agenda.

The primary data consisted of official publications from the World Bank such as World Development Report (WDR), Annual reports, Operation Evaluation Department¹⁸ (OED) reports. Furthermore, background documents on the Comprehensive Development Framework¹⁹ and the overall Poverty Reduction Strategy official literature have also been central to the study. The thesis also rests on data collected from the Bank’s extensive website – such as Social Development Network, poverty reduction, civil society, anti-corruption and governance, social capi-

tal web pages²⁰. Speeches from James D. Wolfensohn have also been thoroughly analysed (see Wolfensohn 1997; 1998; 1999a; 1999b).

An extensive range of academic sources has also fed the greater argument of the thesis. Beyond the key authors instrumental for the theoretical framework, the thesis argument rests on the study of central themes redundant to the Bank's IDM, such as *governance* (see Cammack 2004; Campbell 1996, 1997, 2000, 2005; Dollar and Levin 2004; Harrigan, Mosley and Toye 1995; Harrison 2004; Jayasuriya 2001, 2003), *civil society participation* (see Biekart 1999; Edwards 2004; Hearn 1999; Hickey and Mohan 2005; Jayasuriya 2003; Kamat 2004; Van Rooy 1997; Wood 1990), *social capital* (see Bebbington; Fine 1999; Fine, Lapavitsas and Pincus 2001; Guggenheim, Olson and Woolcock 2004; Harriss 2002; Mayoux 2001; Ponthieux 2003; Putnam 1995) – as well as the conceptual absentee of the Model, such as *democracy* and *citizenship* (see Dagnino 2008; Hearn 1999; Hickey and Mohan 2005; Jones and Hardstaff 2005; Taylor 1998; Wood 1990).

Interviews: Methodological Choices

While interviews of Bank officials were conducted, official Bank publications have been selected as the primary 'voice' of the Bank, or in other words, as representing the outcomes of debate within the Bank and the maps for implementation. Although such overwhelming focus on official publications does not highlight the subtleties of the Bank's internal struggles – which have undoubtedly influenced the content of such publications – it was strategically decided to adopt the Bank's official publications as the best vehicle to assess the institution's strategy towards the IDM. The internal struggles of the World Bank are nonetheless addressed in chapter two of this thesis, in the section 'Structural Contradictions, Power Swings, and Stakeholder Constraints: the Anatomy of the World Bank' (section 2.1.1). However, as discussed previously in the presentation of the theoretical framework, of particular interest of this research is to investigate how both the social-development narrative and the new aid allocation mechanisms – i.e. the IDM – relate to the greater understanding of the PWC. In such light, official publications rather than the opinions of individuals working for the World Bank were a more appropriate methodological focus.

Some semi-structured individual interviews were nonetheless conducted with World Bank officials in order to complement the research. A

few key informants were specifically chosen for their overall knowledge of the social-development narrative or of the shift in governance conditionalities during the Wolfensohn presidency. Of particular interest, were Bank staff that had a very broad historical sense of the shifts happening at the Bank.

Another distinct set of interviews was motivated by a gap in the literature. This was quite uncommon for this topic, as World Bank publications are not only extremely rich in data, but readily available as well – notably because of the new Bank policy on public disclosure. However, the literature on the Bank’s initiatives towards parliamentarians is quite poor. Therefore, the Bank official who specifically started the outreach initiatives with parliamentarians and is now the senior manager of the entire programme was interviewed, as well as parliamentarians participating in the programme. Another broad set of official interviews and informal consultations were carried out with members of international advocacy NGOs and experts from academic circles, throughout the period of the thesis (2004-2008).

Fieldwork and Time-Table

Bank officials have been interviewed during the two months of intensive fieldwork in Washington D.C. Further interviews were carried out during specific events such as the Annual Meetings Boards of Governors of the International Monetary Fund and the World Bank Group (Singapore, September 19-20, 2006), the Annual Bank Conference on Development Economics (Bled, Slovenia, May 17-18, 2007), and during academic events such as the Garnet Network conference on ‘Governance and the Politics of Development’ (November 16-17, 2006, Institute of Social Studies, The Hague, The Netherlands).

An intensive fieldwork at the site of the main policy agencies – in Washington D.C. – was carried out for a period of two months (September-October 2006). The fieldwork served to generate exchanges with World Bank staff and researchers in the range of institutions also located in Washington that are focused on Bank policy and that of other development agencies and international financial institutions. The *Bank Information Center*²¹ (BIC), which provided office space in Washington D.C. during the period of the fieldwork, represented a daily environment to discuss and debate the content of the thesis and provided a convenient point of entry for accessing the different networks linked to World Bank.

Experts from academic circles, Bank officials and international NGOs have also been consulted, notably during three distinct workshops specifically crafted for PhD students researching the World Bank. The workshops have been supported by the *Economic and Social Research Council of the United Kingdom* and organised by the *Centre for the Study of Globalisation and Regionalisation* at the University of Warwick in conjunction with the *Researchers Alliance for Development*. They were held in Budapest, Hungary (April 1 and 2, 2005), Singapore (September 18, 2006) and Bled, Slovenia (May 16, 2007)²².

1.5.2 The Case Study: the PRS Experience

The central focus of the thesis is the World Bank's IDM. Although also conceptual in nature, the IDM carries with it new aid allocation mechanisms: the Comprehensive Development Framework (CDF), the Poverty Reduction Strategies (PRS), the Country Assistance Strategy (CAS) and the Country Policy and Institutional Assessment (CPIA). Any of these would have been appropriate choices to serve as the case study for the IDM. PRSPs are the official strategic document of the country, while CAS are IDA's 'business plan' in support of the country's PRS and CPIAs are a diagnostic tool which indicate areas where attention needs to be focused. CDFs on the other hand, were initiated in 1998 by Wolfensohn and are now viewed as the 'philosophy' guiding the PRS (World Bank 2006a).

While each of these aid allocation mechanisms represent an important building block of the IDM – and as such, they are all addressed in the thesis – it was decided that PRS would represent an adequate case study. This was a tactical choice; the scale of the PRS endeavour itself has meant that it has been the subject of countless analyses and therefore, both primary and secondary data were readily available, from a great variety of official and critical sources. PRS have indeed been the subject of numerous publications from International NGOs – such as Bank Information Centre, Bretton Woods Project, EURODAD, Oxfam International, Southern Civil Society, World Development Movement, World Vision, etc. These organisations provided detailed case study of the PRS process in all the countries involved in the process. Academic analyses of the PRS are also abundant, mostly in relation to country case studies²³. Furthermore, relevant International Monetary Fund, Development Assistance Committee-OECD and bilateral donors' related documents have been instrumental to the study. Primary data on PRS has also been read-

ily available. As such, Poverty Reduction Strategy Papers/Interim Papers from the 65 countries involved in the process; the Joint Staff Advisory Notes/Joint Staff Assessments; and the PRSP Progress Reports represented a key sources of primary data for the basis of comparative analyses and sources of examples to consolidate the thesis arguments.

Another tactical methodological decision was to focus on the overall PRS experience rather than to focus on a single country. While both choices are methodologically sound, the idea here was to try to transcend the literature on the PRS participatory process, which has so far been saturated with country-based case study. Instead of collecting new country data on PRS country experiences, the method has rather been to focus on available data from a wide sample of PRS countries and from diverse sources – academic, official, International advocacy NGOs and interviews. In other words, the objective here has been to build a synthesis of PRS country experiences.

In addition, this methodological choice to focus on the overall PRS experience serves to contrast with the overwhelming amount of case studies that have methodologically been designed within a the very compounds of the IDM's narrative. This is to say that most critical analyses of PRSPs have set out to investigate whether the Bank's official narrative attached to the PRS experience, was taking place on the ground. Accordingly, and as discussed in section 1.1.3 of this chapter, a great deal of case studies have been asking analogous questions linked to assessing the quality of the participatory process or the impact of a given PRSP on poverty reduction. In other words, because the Bank states that participation is at the heart of the reform, assessments have indeed been overwhelmingly focussing on evaluating the quality of the participation process of a given PRS. While such studies are vital to transcend the normative aspects of the model – as it deconstructs the social and poverty focused narrative – they give a fragmented window on the aid reform and most of all, it downplays the scale of its political implications.

In contrast to such analyses, this thesis builds on the data provided by this range of case-studies and seeks to tease out global patterns from these individual experiences. This is however not done within the compounds of the Bank's own narrative but rather by assessing what the PRS are actually doing on the ground in relation to the reordering of power – something that is very much absent from the Bank's official narrative. This methodological choice is reflected in the last three chapters of the

thesis which set out to investigate the transformation of democratic structures carried out by PRS in reforming countries— i.e. on the executive, legislative and judiciary branches.

1.6 Structure of the Thesis

The methodology is reflected in the structure of the thesis, which is divided into six chapters, each of which constitutes a discrete element of analysis.

The following chapter explores how the World Bank has historically adopted successive development models and what crises, ideas and narratives have marked the transitions from one model to the next. This historical analysis grounds the foundations within which later chapters of the thesis will be set. It is observed that the 1990s were harsh on the structural adjustment model and such intricacies gave momentum to new conceptualisations of the state, now commonly referred to as the PWC. In chapter two therefore, the intricate historical, political and organisational rationales that compelled the Bank to adopt a new aid development paradigm are analysed. It is argued that the World Bank *was forced* to rethink its former model – which was to address the escalating setbacks of the Washington Consensus.

Following this historical analysis, the theoretical foundations of the PWC are analysed. In chapter two, it is argued that in order to truly understand the political ramifications of the new aid architecture as presented by the Bank, the theoretical underpinnings of the aid reform must indeed be thoroughly analysed. Setting aside the Bank's own experiences, this chapter sets out to investigate the key architects of the PWC; analysing in turn Stiglitz and other authors of the greater New Institutional Economics academic stronghold. Crucially then, this chapter is about clarifying the confusion between narrative, assumptions and methods entwined with what we refer to as the PWC. Such a process exposes a clear dichotomy between an emphasis on the regulatory state and a narrative revolving around participation and social development. After presenting an analysis of Stiglitz's and NIE's agenda centred around the pivotal role of institutions in economic development, the chapter's focus of analysis shifts towards the conceptual absentee of the theoretical framework of the PWC: power. Such exercise sheds great light on the political underpinning of the new consensus and allows us to re-locate the framework within the greater context of the consolidation of neo-

liberalism. The key point here is to demonstrate that the PWC is about addressing the tensions of the Washington Consensus *without* actually challenging its fundamental assumptions and goals. This is done by entering directly the realm of politics, pushing the reforms further into the political fabric of society.

The remainder of the thesis pertains to the specific role played by the World Bank in carrying out such an agenda in countries under reform, via the Integrated Development Model. Consequently, the next three chapters address how the Bank's IDM and its new aid allocation mechanisms are effectively transforming the state architecture – shifting the political spaces between state, civil society and markets in a manner that benefits one over the others.

Building on a study of the mechanics of the new aid allocation mechanisms embedded in the IDM, chapter four is the subject of the transformation of the conditionality model. It is argued that there exists a clear attempt to circumscribe borrowing governments in their possibilities to challenge orthodox policies as prescribed by the Bank and the greater donor community. Nestled in the NIE stronghold, the new aid architecture's overarching influence on aid allocation or debt relief suggests that neo-liberals have indeed found a way to institutionalise the market ideology within the developing state.

In light of the obvious challenges that the restructuring of the state's architecture is posing for the democratic process in countries under reform, chapter five is an attempt to address the Bank's participation narrative. It is argued that the participatory agenda is proving to be quite puzzling, especially with its flagship aid allocation mechanisms, the PRS. The investigation of the Bank's new interest in the role of civil society in the IDM demonstrates that while civil society is undeniably a direct answer to the Bank's legitimacy crisis, it also serves as a tool for managing civil unrest within countries under reform. This argument is based on an analysis of the new participatory agenda and how powerful groups within the Bank have hijacked its initial objectives. The chapter then reviews the functions assigned by the Bank to civil society and concludes that such functions are deprived of the political attributes traditionally associated to civil society. This new 'hybrid', as a direct product of the PWC, reveals the uneasiness of a World Bank faced with an increasingly political stage for its reforms.

While debates have been roaring over the quality of civil society participation in the new aid allocation mechanisms, chapter six observes that there has curiously been very little analysis on the great absentees of the process: Members of Parliament (MPs). One common aspect of all PRS has indeed been the almost complete absence of MPs. Beyond issues such as lack of capacity, the risks of partisan attachments and hijacking of issues, MPs remain the sole official representatives of the people and purportedly the democratic voices of citizens. This chapter argues that the specific role assigned to MPs in PRS is jeopardising the already fragile legitimacy of the institution. It also raises the fundamental question linked to the influence of IFI policy in the very fabric of the democratic process in countries under reform as it establishes the precedent of technocratic parliamentarian involvement. In order to demonstrate such an argument, the chapter first reviews the World Bank's historical stance on parliaments and concludes that there is an obvious dichotomy between the Bank's official narrative on a country's ownership and the actual experience of participation in the PRS. However, and this will be addressed in the second section of the chapter, the Bank's approach on parliamentarians' involvement appears to have recently shifted from one in which parliaments were defined as problematic and unmanageable, to one in which MPs are defined as a new ally against corruption and a source of legitimacy for reform. The chapter's last section, analyses this new stance on parliaments in the context of the larger political debate of the possible clash between technocracy and democracy that lies at the heart of the PRS endeavour.

The concluding chapter of the thesis reflects on the IDM and its implication for the concept of citizenship. It looks at the Bank's response to the crisis of legitimacy and control and its attempt to adapt the neo-liberal framework at the local level. It concludes that the model and its aid allocation mechanisms are key components of a contemporary neo-liberal project as they serve to lock-in neo-liberal policies.

Notes

¹ Such as controlling domestic finance, imposing restrictions on capital flows, often discouraged foreign direct investments, controlled international capital flows, regulated several domestic markets and owned significant parts of the international productive capacity (Fine, Lapavistas and Pincus 2001: xv).

² See Mallaby (2004).

³ Founded in 1994, on the occasion of the 50th anniversary of the founding of the World Bank and IMF, 50 Years Is Enough is a U.S. Network for Global Economic Justice, a coalition of over 200 U.S. grassroots, women's, solidarity, faith-based, policy, social and economic-justice, youth, labour and development organizations dedicated to the profound transformation of the World Bank and the International Monetary Fund. See <http://www.50years.org>

⁴ See for example: Bebbington et al. 2004; Davis 2004; Hickey and Mohan 2005; Interview Robert Chase 2006; Mallaby 2004; Wolfensohn 1998; World Bank 2008h.

⁵ On the subject, see Burnside and Dollar 2000; Dollar and Levin 2004; EURODAD 2001a, 2001b, 2002; OED 1999; 2004a, 2004b; Paris High Level Forum 2005; Powell 2004; World Bank 1998a, 2002b).

⁶ Also see on the subject of 'partnership': Development Assistance Committee OECD (1996) *Shaping the 21st Century: The Contribution of Development Co-operation*, Paris: OECD.

⁷ For a review of the debate see Hickey and Mohan 2005.

⁸ As thoroughly analysed in chapter five of this contribution.

⁹ Aid allocation mechanisms such as the CDF, the PRS, the Country Policy and Institutional Assessment (CPIA) and the Country Assistance Strategy (CAS).

¹⁰ The World Bank does not use such term explicitly. In most publications, it refers to either the narrative – i.e. the social agenda – or to the aid allocation mechanisms themselves. The Bank does explicitly points to 'a new way to do business', a 'new model' and to a new 'aid paradigm'. For the sake of clarity, the reform package itself is here coined as the IDM. To our knowledge, the specific term 'IDM' was first used by the Canadian International Development Agency (CIDA) in 2002 – in its French version 'Cadre de Développement Intégré' – specifically to address the World Bank changes (CIDA 2002).

Within this thesis, we use the terms IDM, *new aid paradigm*, *new aid model* and *new aid architecture* in an interchanging way.

¹¹ IPE builds on methods drawn from economics, political science, and sociology and it provides an analysis of international relations in combination with political economy. As such, IPE provides the foundations to assess the influence of multilateral organisations on the interactions between the state (politics) and the market (economics).

¹² The more commonly cited challenges are the trauma of the Asian financial crisis, the structural adjustment's questionable score card, the misguidance of the eastern block countries entrance into capitalist markets, and to some extent, the rise of anti-globalization movements.

- ¹³ Such as Ann Krueger, Milton Friedman, Friedrich Hayek, etc.
- ¹⁴ Key concepts such as ‘participation’ and ‘social capital’ are implicitly linked to the IDM. See for example Bebbington; Fine 1999; Fine, Lapavitsas and Pincus 2001; Guggenheim, Olson and Woolcock 2004; Harriss 2002; Mayoux 2001; Ponthieux 2003; Putnam 1995.
- ¹⁵ See for example the work of Carroll 2007; Fine, Lapavitsas and Pincus 2001; Harriss 2002; Hearn 1999; Jayasuriya 2003, 2004; Van Rooy 1997.
- ¹⁶ Such as Campbell 1997, 1998; Caufield 1997; Cornia, Jolly and Stewart 1987; Culpeper 1997; Goldman 2005; Harrigan, Mosley and Toye 1995; Harrison 2004; Mallaby 2004; Peet 2003; Sarrasin 1999; Toye 1987.
- ¹⁷ Key authors on the subject are Campbell 1996, 1997, 2000b, 2005; Fine, Lapavitsas and Pincus 2001; Hadiz 2004; Harrison 2004; Harriss 2002; Jayasuriya 2001, 2003, 2006; Robison 2006a; 2006b.
- ¹⁸ The OED is the independent branch of the World Bank which is now called the *Independent Evaluation Group* (IEG).
- ¹⁹ See for example <http://go.worldbank.org/DXQURB2UH0>, accessed November 10, 2008)
- ²⁰ Available at <http://go.worldbank.org/MQDEW3VLO0> (accessed January 2008).
- ²¹ The BIC is an independent, non-profit, non-governmental organization that advocates for the protection of rights, participation, transparency, and public accountability in the governance and operations of the World Bank, regional development banks, and the IMF.
- ²² The interviews were not taped in order to give greater confidence to the interviewee. Notes were taken during the interview and completed immediately afterwards. Follow-up questions have also been sent and answered via email, when required.
- ²³ For example, the Institute of Social Studies (<http://www.iss.nl/Cross-cutting-themes/PRSP>), the Institute of Development Studies (<http://www.ids.ac.uk/go/browse-by-subject/poverty>) or the Institute of Development Policy and Management (<http://www.ua.ac.be/main.aspx?c=.IOB&n=57994>) all have ongoing research projects on PRSPs.

2

On shaky Ground: the Bank's Legitimacy & Political Crisis at the End of the Millennium

Like laundry detergent, aid is always 'new and improved'
(Easterly 2002: 35)

Introduction

By the end of the 20th century it had become increasingly apparent to the Wolfensohn's presidency that the Bank had to change direction. However, such an endeavour was easier said than done. As observed by Robert Wade: 'The Bank's legitimacy depends upon the authority of its views; like the Vatican, and for similar reasons, it cannot afford to admit fallibility' (1996: 34). Yet, it was clear that the structural adjustment period was dramatically failing to achieve its objectives, as these failures were being increasingly broadcast and attacked by a loose but effective coalition of global critics. The Washington Consensus increasingly became a negative and pejorative term. In the streets of many countries under reform, angry critics attacked the International Financial Institutions (IFI) for being unmoved by the plight of the world's poorest. Environmentalists were outraged by infrastructure projects backed by the Bank and their impact on the environment; human rights activists denounced loans to dictatorships, while gender rights advocates were pointing out the negative impacts of Bank policies on women. Ironically, the Bank was also facing attacks from within. Joseph Stiglitz – the Bank's Chief Economist from 1997 to 2000 – was himself pushing for major changes within the Bank. Stiglitz was delivering public lectures, speeches and publications on the failure of the Washington Consensus, which was really the quintessential statement of Bank orthodoxy. To make matters worse, the Bank's own statistics and evaluations pointed to serious deficit in the legacy of the Washington Consensus.

The response came at the 1997 Annual Meeting in Hong Kong, where the newly appointed president presented his vision of the future of the World Bank. From this time onward, proclaimed Wolfensohn, the institution would be committed to eliminating poverty in a way that directly addressed the social aspects of distress and to forging closer partnerships with other actors in the development process, including those within civil society: 'Our dream is a world free of poverty', he declared. Wolfensohn's vision soon became the Comprehensive Development Framework (CDF), the World Bank's official new 'Development Paradigm' (OED 1999: 4). The Framework was presented as a tool to be used by the entire development community to achieve greater development effectiveness in a world challenged by poverty and distress. CDF would not only change the way development efforts were conceived and coordinated, it would change the very nature of aid itself.

It was not however, the first time that the Bank distanced itself from past practices and called for a new development model. The Bank had acknowledged the failure of the 'planning paradigm' amidst the early 1980's debt crisis and embraced the 'structural adjustment paradigm'. This was the first great watershed. Now, amidst the East-Asian economic crisis, the governance predicament of indebted countries, as well as the former communist countries' bumpy ride to economic liberalisation, the World Bank saw grounds for a new aid paradigm, making the CDF the third distinct development model.

This chapter is about understanding *why* the Bank proposed a new aid model at the end of the 1990s. It maps the intricate historical, political and organisational rationales that compelled the Bank to adopt what it now presents as a new aid development paradigm. What will become particularly evident is that the World Bank's shift was motivated by far more than an altruistic quest to reach the Millennium Development Goals (MDG) and to foster a participatory framework. In fact, it will be argued that the Bank *was forced* to rethink its former model in order to address the escalating setbacks of the Washington Consensus.

The chapter is divided into two main parts. The first section takes a step back from the official narrative and provides the reader with an analysis of the Bank's incentives for change. Mapping the precise historical incentives that compelled the Bank to dissociate itself from its former strategy is not a simple endeavour. Therefore, these will be studied in two separate, although intrinsically linked, levels. First, we look at the

internal turmoil that compelled the Bank to propose the new aid framework. This will be followed by an analysis of the historical and political contexts that forced the Bank to dissociate itself from its former model – at least discursively. The second part of this chapter provides a description of Wolfensohn’s proposal for a new development model. It maps the official objectives and functions of the model as described by Wolfensohn. As such, this chapter sets the case in its historical background and as such, a process vital for the ongoing argument of later chapters. Such historical settings will lead to the following chapters, which in turn explore the theoretical foundations of the new aid architecture, how such change has been made operational and crucially, the political significance of the change.

2.1 From One Aid Paradigm to the Next: Why the Bank Changes Gears

In the following section, the Wolfensohn presidency is located within the historical and political context of the mid-1990s in order to understand the Bank’s incentives for change. It will become clear that the Bank *had* to change. This will be analysed in two distinct parts. First, we look at the Bank’s internal structures in order to assess its incentives for change. In the second part the international context of the 1990s is analysed and it is argued that the Bank’s shift is undoubtedly a direct response to the crisis provoked by the very failures of structural adjustment itself.

2.1.1 Structural Contradictions, Power Swings, and Stakeholder Constraints: the Anatomy of the World Bank

According to the Bank’s own historical chronology, the institution’s ability to adapt its agendas is rooted in the flexibility of its founding articles: ‘Fortunately, the articles of Agreement are sufficiently flexible (a more polite word than *vague*) to permit the Bank to perform its task despite changed circumstances’ (World Bank 2005). The first article of Agreement of the International Bank for Reconstruction and Development (IBRD) states that the institution shall be guided in all its decisions by the following purposes¹: to assist in the reconstruction and development of territories of members; to promote private foreign investment; to promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments; to arrange the loans

made or guaranteed by it in relation to international loans through other channels; to conduct its operations with due regard to the effect of international investment on business conditions. Over time, these purposes have encompassed the institution to push its core agendas with different degrees of emphasis and more interestingly, with different interpretations².

Beyond the elasticity of the Bank's founding articles – which has indeed been an asset for the institution's changing narratives – one must also ask why over time particular agendas have been pushed further than others. One answer is provided in the internal politics of the institution itself. Here, the Bank's changing agendas have often been regarded simply as the manifestation of its shareholders shifting political, strategic and overall economic interests. It is indeed clear that the power within the Bank is not equally distributed amongst its 184 member countries. While each member is a shareholder, the voting power is directly linked to the size of the shareholding³. Together, the five largest shareholders (France, Germany, Japan, the United Kingdom and the United States) represent more than 37% of the voting power. This overwhelming dominance held by the planet's richest nations has spurred relentless debates over the political influence they hold over the institution, especially the United States, which accounts for 16.39% of the shares⁴.

The World Bank – and the IMF – has been an efficient instrument for enhancing and supporting US foreign economic policy or, in other words, opening markets to US investment and trade. As argued by Wade (2001b), the dilemma faced by the US is to what extent it can use the IFI to persuade local elites to adopt policies beneficial to the US economy without jeopardizing the institutions' legitimacy as multilateral organisations. Wade further observes that the US has a 'discreet but firm institutional control' over the Bank. Amongst other instruments of influence at the US disposal, he mentions the fact that the US appoints the president, it is the only member able to exercise a veto on various key constitutional issues and it makes the biggest contribution to the International Development Agency (IDA) (Wade 2001a: 127).

The mayhem surrounding the making of the 2000 World Development Report *Attacking Poverty* (World Bank 2001a) is illustrative of the power struggles within the World Bank itself and the US influence⁵. This was telling of a conflict between market fundamentalists and institutional revisionists; between the Washington Consensus and the PWC.

The highly publicized resignation of Ravi Kanbur, the Report's director – who coincidentally had been brought in by Joseph Stiglitz – clearly revealed: '[...] deep divisions within [the Bank] over the extent to which adherence to a neo-liberal ideology best serves the interests of the poor' (Mosley 2001: 308). On July 4th 2000, *The Guardian* reported on the growing divisions within the Bank:

The departure of Kanbur, following last year's resignation of the bank's chief economist, Joe Stiglitz, has exposed a growing rift at the Washington-based body, the world's largest development fund. On the one side are the ultra-orthodox economists who believe that if poor countries adopt a set of tried and tested policies – conquer inflation, slash government budgets and open their economies to trade – they will reap the benefits in economic growth. According to this school of thought, growth is good for everybody, and even the poorest households share in rising wealth. On the other side are those like Prof Kanbur and Prof Stiglitz who argue that growth alone is not enough. The quality of growth matters and policies should make sure that the poor get the most benefit from rising prosperity (Denny 2000).

With Kanbur at the helm, Bank reformists and international NGOs perceived the annual WDR as deviating from the overwhelming emphasis on economic growth which had characterised former WDRs. The Report allowed for the study of the non-income dimensions of poverty, thus clashing with the ultra-orthodox traditional economic policies⁶. The international NGO *Global Policy Forum* concludes that the Kanbur version of the WDR: '[...] moved beyond national average figures on poverty incidence to examine the many factors which influence poverty outcomes for vulnerable population groups' (Global Policy Forum 2000). Kanbur resigned in May 2000, citing undue outside pressure. He would have resigned as a result of direct intervention by Lawrence Summers⁷, the US Treasury Department Secretary. Summers would have forced changes in the content of the Report⁸ (Peet 2003: 134). On the subject, the *Financial Times* reported that Kanbur notably objected: 'to the playing down of "empowerment" – widely interpreted to mean income and wealth distribution – in favour of "opportunity", of which the key element is economic growth' (Beattie 2000).

In addition to this internal rift between the conservatives and the reformists relating to the best ways to achieve economic growth, the Bank was also the subject of external pressures notably linked to the way mar-

kets underpin US strategic interests. In this regard, Stiglitz's resignation as the Bank's Chief Economist is also quite revealing of the US Treasury's influence on the institution. While Stiglitz stayed as a 'special advisor' to the Bank presidency, his resignation a month before the end of his term (January 2000), led to much speculation on whether Stiglitz jumped or was pushed (Fine, Lapavitsas and Pincus 2001: 17). On the subject, *The Nation* commented: 'Stiglitz had made one too many public criticisms of the economic policies preferred by the bank and its ultimate master, the US government' (Henwood 2000). Wade recalls quite a revealing statement by Laurence Summers:

At a dinner party a few years ago Laurence Summers [...] exclaimed enthusiastically that until he entered the treasury he had not realised just how useful were the bank and the International Monetary Fund (IMF) for US foreign-policy objectives. His remark is all the more striking because he had earlier been vice-president for economics and research at the bank - so he was scarcely an outsider (Wade 2007).

However, one cannot simply conclude that the Bank's decisions are the sum of each significant member country's geo-strategic and economic interests. As pointed out by Miller-Adams (1999: 9), while the Bank is indeed a prominent actor within an international system governed by states, it is also a large and complex institution whose relative autonomy transcends the sum of its members' interests.

It is useful at this point to call upon organisational theory within the field of sociology to map the Bank's normative aspects such as its social obligations, morals and values. There is an abundance of literature arguing for the study of the 'subterranean processes' of the World Bank in order to understand the way it changes⁹. In this respect, Vetterlein argues that international organisations have a 'personality', which explains: 'why an organisation would be more or less active in taking on and processing new ideas, setting agendas and new policies, and consequently, creating new policy norms' (2007: 1). The Bank's changing agendas do find meaning in the institution's organisational culture – here understood as its 'pattern of norms and attitudes that cuts across its whole social unit' (Schein 1990 cited in Miller-Adams 1999: 21). There are two main norms which stand out of the literature: the Bank's apolitical and technical institutional norms (Miller-Adams 1999: 22). This is clearly entrenched in the Bank's founding charter, which states that:

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I (IBRD Article of Agreement IV, Section 10).

As we will see, these claims to technical and apolitical norms have licensed the Bank to navigate across the numerous historical challenges it has encountered throughout the last sixty years and it is a vital element in explaining how the World Bank has adapted over the years. As observed by Miller-Adam, these norms have come to serve three very practical organisational purposes. First, it allowed the Bank to work with all its members despite their different ideology and political cultures; second, it allowed for its staff to adopt a seemingly professional non-partisan work ethic; and finally, it seemingly increased its legitimacy in the eyes of its borrowers by presenting itself as being above politics (1999: 23). This internal logic derives from the Bank's core belief in the existence of an 'economic rationality' which transcends any political debate (Wade 1996). As studied throughout the following thesis, such a norm undeniably allows for the Bank's narrative to bypass any political debate other than the mainstream neo-liberal orthodoxy, a process that 'renders development a curiously straightforward process' (Harrison 2004: 12). This point is also argued by Boas and McNeill, who state that while the agenda of these institutions (World Bank, IMF and World Trade Organisation) has been broadened:

The process has taken place within established and largely unquestioned boundaries, firmly kept in place by a certain frame of knowledge. As in the heyday of technical assistance, knowledge is still mainly understood in instrumental terms: as a non-political and objective tool that, if correctly implemented, will lead to better policies (Boas and McNeill 2003: 50).

In order to support this myth, the Bank's employees are presented as experts in a great variety of technical areas¹⁰, although they are still overwhelmingly composed of economists. Interestingly, up to 80 percent of the Bank's economists are educated in either North America or in the UK (Wade 1996: 30). As such, the 'art of paradigm maintenance' within the Bank's staff and thus its publications, is derived from a deep belief in orthodox Anglo-American economics and it is an entrenched criterion for the selection of the Bank's employees: 'If they [the candidates] were

to show sympathy for other ideas [...] they would be unlikely to be selected for the Bank, on grounds of incompetence' (Wade 1996: 30). In other words, the Bank is also driven by the interests of its own officials, who have an interest in maintaining a technocratic façade that protects them from criticism.

2.1.2 Trying to Keep Up: the Bank and Crisis Management

Despite seeing itself as technical and apolitical, the Bank of the 1990s was coming under increasing criticism and under pressure to acknowledge the failure of structural adjustment. Outside the Bank, international events were rattling the orthodoxy: the East Asian experience – both its economic miracle and its crisis – as well as the bumpy ride of Eastern Europe's ex-communist block towards a market economy, were challenging the economic dogma which had prevailed for the last two decades. To make matters worse, an increasingly vocal and well-organised anti-globalisation movement was actively scrutinising the negative impacts of the Bank and the IMF on the World's poor. One could argue that the point of no return was reached, ironically, when Joseph Stiglitz – the 'rebel within' – joined the wave of discontent. From his position as Nobel Prize winner, his attacks not only had the weight of academia, they also had the whistle blower effect: was he not the Chief Economist at the Bank since 1997?

Three intrinsically related problems particularly stand out when looking back at the last decade of the Bank's activities: the failure of conditionality, the failure to achieve economic growth and to tackle poverty, and the emergence of a more organised and vocal international civil society.

Facing the Statistics: the Failure of Conditionality

Structural adjustment programmes were designed to be quite straightforward. They were to turn around the emergency economic situation that emerged from the debt crisis of the early 1980s. Inflated by the belief in a linear modernisation¹¹, developing states had embraced the development era head on¹², managing the oil crisis through the borrowing opportunities linked to the recycling of petrodollars in Northern countries. To make matters worse, faced with a growing fiscal deficit the Nixon's presidency had ended the Bretton Woods system by suspending the convertibility from dollar to gold¹³. The borrowing euphoria became

highly problematic when on the one hand, interest rates dramatically escalated, and on the other hand, the terms of trade became detrimental for developing countries – the main exporters of primary goods. The constant exchange rate deterioration, the second oil shock and the economic recession in the industrialized nations would do the rest. The developing countries debt service, which was in foreign currencies with floating interest rates, became unmanageable¹⁴. The borrowing period was over and, motivated by the threat of a possible domino effect set off by the Mexican and Brazilian debt crisis in 1982, the International Financial Institutions turned to the structural adjustment paradigm. As expressed in the World Development Report (WDR) on Adjustment, the ideals of the planning paradigm had slowly led to a serious deadlock – the debt crisis: ‘[...] countries that have borrowed to support unsustainable patterns of production, consumption and trade soon face the reckoning of excessive debt and forced macro-economic contraction’ (World Bank 1981: 113).

While the IMF imposed ‘stabilisation’ measures to compel fiscal and monetary discipline as a condition for receiving short-term balance of payments credits, the Bank stepped in to manage the longer-term structural problems faced by the indebted countries. It indeed quickly instated a new type of lending – the Structural Adjustment Programmes (SAPs), here defined in the 1981 WDR:

[...] structural adjustment lending (SAL), will help oil importers adjust to the changing international environment. SAL will assist countries in formulating and carrying out structural adjustment programs and will provide finance during the adjustment period. Structural adjustment loans are planned as a series of three to four operations over a five- or six-year period (World Bank 1981: 55).

SAPs were based on a concrete policy programme, now commonly referred to as the ‘Washington Consensus’. This was an expression coined by John Williamson to describe the existing consensus on Latin American reforms amongst the economists of the three institutions having their headquarters in Washington D.C.: the IMF, the World Bank, and the American Treasury. More precisely, the Washington Consensus contained the following propositions: fiscal discipline; a redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution; tax reform (to lower marginal rates and broaden the tax base); interest rate liberalisa-

tion; competitive exchange rates; trade liberalisation; liberalisation of inflows of foreign direct investment; privatisation; deregulation; secure property rights (Williamson 2000: 252). Concretely, these policies took the form of local currency devaluation, a strict budget policy, public sector privatisation, interest rates increase and a banking system reform.

Conditionality, which will be thoroughly studied in the following chapter, became a significant tool to promote a specific economic ideology as the Bank's power to withhold aid became the fundamental instrument to induce governments to liberalise their economies (Boas and McNeill 2003: 51). While conditionality in itself was not new, the scale and the depth of the SAPs did represent a significant benchmark. For Boas and McNeill, this broadening of the scope of conditionalities attached to loans took place in a process which involved three components: as they switched to programme lending, Bank loans were no longer given for the purpose of conducting a certain development project, but as a general support for a balance-of-payments deficit to facilitate imports. Furthermore, it not only combined programme lending with requirements for policy change, it also broadened these conditions from the sectoral or subsectoral to the national macroeconomic level (Boas and McNeill 2003: 51).

At the turn of the 1990s, the end of the Cold War came to further reinforce the Bank's conditionality model. While the Cold War 'made it impossible to investigate your allies', argued Alan Gelb, Director of the Development Policy at the World Bank, the end of the Cold War solidly positioned the governance agenda (Interview September 18, 2006). For Mallaby, the end of the Cold War 'made it easy to be pure [as finally, the] lessons of structural adjustment and the logic of geopolitics converged' (2004: 96). As countries could no longer call on the now defunct Soviet Union to receive aid, donor countries started to acknowledge the governance predicament of many developing countries and to push further the market liberalisation agenda. The 1990s was indeed a period of high hopes in development as aid was said to be finally free of its ideological bias. At last, it was argued, free markets would no longer be hampered by donors' geo-political and economic bias with international aid.

Over time, however, SAPs became a long-term, one-size-fits-all economic restructuring programme, or as stated in the *Structural Adjustment Participatory Review International Network* (SAPRIN) report: "Two-year time frame for success turned into five-year, ten-year and, in most cases, two-

decade projects without sustained economic development in sight' (SAPRIN 2004: 2). This is mostly due to the fact that as the 1980s unfolded, the World Bank was entangled into a reform process that turned out to be far more complex than first suggested by the neo-classical economic models feeding the SAPs.

The Bank and Civil Society: the Battle for the Voice of the Poor

From 1986 onwards, the rising poverty indicators and the environmental consequences associated with the Bank's projects were publicly denounced by a range of strong and newly organised international civil society organisations. President Wolfensohn indeed inherited this growing nightmare from his predecessors¹⁵. The shift to neo-liberal orthodoxy was initiated by Tom Clausen¹⁶ who had dissociated the Bank from McNamara's antipoverty narrative when he took the reins of the Bank in 1981, suggesting that it was distracting the Bank from its economic mission. While McNamara's legacy (1968-1981) remains controversial for its clear anti-communist objectives, the presidency clearly reoriented the Bank's main narrative towards the purpose of poverty reduction. While throughout the 1970s the Bank had been arguing for 'Redistribution with Growth', the 1980s new mantra was 'Adjustment with growth' meaning that economic balance and stability would be the mandatory step to obtain sustainable development (Sarrasin 1999: 9). A decade later, this shift according to Mallaby: 'made it all too easy to paint [the World Bank] as heartless' (2004: 46). By the time Barber Conable (President of the Bank from 1986 to 1991) tried to shift gears, the Bank had become widely perceived as an inhumane and technocratic institution:

The image of the World Bank economist flying first class from Washington to some third-world capital and handing out cash to a corrupt strongman became engraved in the public mind: structural adjustment came to be seen as a nefarious pact between bureaucrat and autocrat (Mallaby 2004: 47).

The core stated argument emerging from these international criticisms was that beyond the Bank's discursive shifts, such as the announcement by President Lewis that for now on: 'poverty reduction is the Bank's overarching objective', the Bank did not, in fact, tackle the pressing issue of poverty. The debate over the negative impacts of SAPs was galvanised by the publication of 'Adjustment with a Human Face' in 1987, a UNICEF study of ten country case studies that illustrated the

severity of the debt crisis and the ill-effects of economic adjustment on vulnerable groups (Cornia, Jolly and Stewart 1987), a campaign which, according to Mosley, Harrigan and Toyé: '[...] made a considerable impact to changing policy-makers' positions as well as their rhetoric' (1995: xxi). The expression of 'Adjustment with a Human Face' suggested a strategy that would combine the promotion of economic growth, the protection of the vulnerable and macro-economic adjustment (Cornia, Jolly and Stewart 1987). Amidst the 1990s, international coalitions of civil society organisations multiplied their efforts and embarked on a global campaign against the 'social costs' of structural adjustment programmes. Campaigns such as *Fifty Years is Enough*¹⁷ and the multiplication of protests, notably during the Bank and the IMF joint annual meetings were now front-page news.

This indeed led to a greater debate over the negative impact of the IFI standard policy package on the most vulnerable: privatisation rimed with layoffs and pay cuts, promotion of exports often disrupted domestic production, trade liberalisation exacerbated unemployment while cuts in government spending and the introduction of user fees decreased poor people's access to water, health and education services. Over the years, case studies establishing a direct correlation between poverty and adjustment policies multiplied. For example, rural poverty in Kenya, Malawi, Tanzania, Zambia, and Ghana – countries 'intensively adjusting' – increased from 56.6% in 1965 to 62.4% in 1988 and in countries such as Gambia, Mali, and Gabon the index of rural poverty increased from 45.1% in 1965 to 60.7% in 1988 (Ali 2002). As summarised by SAPRIN:

For the dozens of countries that have travelled down the adjustment road, the problem is not that the reform process has failed to generate economic benefits. It is that these benefits have tended to be concentrated in relatively few hands, both domestic and foreign, while millions of other people have increasingly been deprived of the resources and opportunities they require to move out of poverty (2004: 220)

The Bank does acknowledge the rise of poverty during the SAPs era (World Bank 2001: 4). In its 1999 Annual Review report, the Operation Evaluation Department (OED)¹⁸ observes that per capita income fell during 1985-95 by 1.4 percent a year in low-income countries (excluding China and India) and the number of poor people living on less than US\$1 a day rose from 1197 million in 1987 to 1,214 million in 1998 (1999: xi). The report further concludes that 'excluding China, there are

100 million more poor people in developing countries than a decade ago' (OED 1999: 1).

One might argue here that growth rates in Latin America and Africa in the last decade have been higher than in the 1980s and as such, it could be attributed to SAPs. However, as pointed out by Woo: '[...] even if the Washington Consensus were the reason for the improvement in African and Latin American growth, one could be content with the Washington Consensus prescriptions only if one had dismally low expectations' (cited in Teunissen and Akkerman 2004: 12). The author makes a compelling point as the Sub-Saharan growth rates during the 1990-2001 were of -0.1 percent and Latin America's were 1.5 percent.

In the early 1990s, as international criticism intensified and street riots disturbed large international meetings of the Bank and the IMF, the Bank started to acknowledge the existing link between SAPs and poverty. In order to address some of the main criticisms it was facing, the Bank made structural and institutional changes with longer-term funds aimed at lessening the immediate impacts of the reform on poverty (SAPRIN 2004: 2). In a review of the evolution of Social development policy at the Bank, Gloria Davis, who was the Director of the *Social Development Network* at the Bank from 1997 to 2000, confirms that the Bank of the mid-1990s was feeling quite pressured by outside critics to instigate changes toward a social agenda:

In response to external criticism of the environmental and social impacts of large scale infrastructure projects, and to mounting concerns that top-down growth was not reaching the poor, internal organizational structures emerged to deal with these issues, and there was a significant increase in the work on methods and tools to identify social issues, to bring people's perspectives into projects, and to harness their energy for more effective development. Many of the distinctive features of a "social development approach" were also evident. Of particular importance was the interest in mitigating adverse social impacts, including poor and disadvantaged groups in development operations, and in understanding different cultures and contexts in order to tailor interventions to diverse environments. With all this complexity also came a preference for listening to people and facilitating their choices and decisions, rather than advocating particular development outcomes (Davis 2004: 11)

Interestingly, the Bank has published no less than 24 relevant reviews on poverty issues and completed 22 poverty-assessment reports on Sub-

Saharan countries up to August 1995 (Ali 2002). As a result of the Bank's *Wapenhans Report* (1993), steps toward addressing the critics' main concerns were officially taken¹⁹, including the creation of an inspection panel to investigate claims against the Bank. However, criticism increased, reaching another peak in 1994 at the Annual Meetings in Madrid. As the years went by, it became evident that the World Bank was trying to keep up with international criticism. As observed by Peet, the World Development Report *Attacking Poverty* (2001a): '[...] also reflects this struggle over image and substance outside and within the Bank' (Peet 2003: 132). As stated by the World Bank: 'As can be seen in Seattle, and April 2000 World Bank-IMF Annual meeting in Washington, and a foreshadower Prague, much suspicion still exists on the part of certain well-organized members of civil society. This must be overcome' (2000: 9).

The crisis faced by the Bank – and the IMF – at the end of the 1990s was also a crisis of hubris. The policy package of the Washington Consensus was obviously failing and yet, the major international financial institutions, notably the World Bank and the IMF seemed unable to abandon its central precepts. Structural adjustment policies gave the Bank an apparent aura of objectivity, which was undoubtedly concordant with its stated apolitical and technical norms. As underlined by Fine, Lapavitsas and Pincus, in the three high decision circles represented by the Washington Consensus, the framework was perceived as the only possible avenue to pursue:

To oppose the Washington consensus, as plenty did, both in theory and practice, was to demonstrate plain ignorance or, worse, obtuseness. And in many case, if the effortless intellectual superiority of Western-trained economists were not enough to persuade developing countries to wear the hair shirt, a simple lever was available to force them to do so: conditionality (Fine, Lapavitsas and Pincus 2003: xv).

The Quest for Growth: the Orthodoxy, the East Asian Experience and the Rebel Within

The main problem however, was that the Bank's multiplying efforts would not yield the expected results: economic growth failed to materialise itself. Indeed the World Bank's own OED observed that in 1992, out of 18 Sub-Saharan African countries, no less than 14 had experienced a fall in investment rates during adjustment. The conclusions of the *Wapenhans Report*, a confidential study evaluating projects financed by the

World Bank commissioned in 1992 by the Bank's vice-president, were revealing. The report reviewed 1300 projects in 113 countries and suggested that 37.5 per cent of projects were unsatisfactory upon conclusion and only 22 per cent of financial commitments seemed to be in line with Bank directives (World Bank 1992). Less than 20 per cent of adjustment-related technical assistance loans were substantially effective, and 15 per cent had only a negligible impact (OED 1992 cited in Peet 2003: 129).

By 1995, eighty-eight countries had embarked on Bank funded adjustment programmes and, reports Caufield, not a single one had kept to the Bank's original timetable of completing adjustment in three to five years (Caufield 1997: 149). More recently, an OED report stated that less than half the Bank's projects in the fiscal year of 1998-1999 had the potential to achieve sustainable results, a performance that would inscribe itself in the statistical trend of the entire decade (OED 1999: 7):

The fact of growth and poverty in the 28 countries [studied] between 1991 and 1997 are sobering [...]. These findings confirm the view underlying the CDF: that the battle against poverty is being lost and that business as usual will not accomplish the objectives of the development community (OED 1999: 17).

The US congress commission on the IMF and the World Bank efficiency in 2000 did little for the status of the institution. In this respect, the *Meltzer Report* estimated that 65 to 70% of the Bank's projects in poorer countries were dismal failures (Meltzer 2000).

Beyond the statistics of failed growth and the multiplication of conditionality, the East Asian financial crisis did a lot to rattle the Washington Consensus. The East Asian experience presented quite the conundrum for neo-liberal policy-makers. While the economic miracle may not have been the product of the orthodoxy, the mismanagement of the Asian financial crisis – notably by the IMF – went a long way to discredit the Washington Consensus. As argued by Jayasuriya and Rosser (2001), the orthodoxy was suddenly caught between blaming cronyism and defending the regimes it had largely created. The crisis sparked a fundamental debate within and outside the orthodoxy²⁰, leading to the call for the PWC, as further analysed in the following chapter. Furthermore, amidst such paradoxes, the former communist countries transitioning to market oriented-economies were to experience a more difficult ride than expected.

These crises led to a reconsideration of the role of the state in devel-

opment and a rejection of so-called market fundamentalism. Joseph Stiglitz has undeniably been at the forefront of the criticism of the neo-liberal framework. Much of his ammunition against the Washington Consensus was focused on the circumstances of the East Asian miracle, which contrasted with the systematic failure of the African continent to spur economic growth – a continent that ironically, was following the orthodox prescriptions of the Washington Consensus:

The observation of the successful, some even say miraculous, East Asian development was one of the motivations for moving beyond the Washington Consensus. After all, here was a regional cluster of countries that had not closely followed the Washington Consensus prescriptions but had somehow managed the most successful development in history (Stiglitz 1998a: 1).

While East Asian countries did follow some of the prescriptions of the Washington Consensus, such as low inflation and fiscal prudence, they also deviated from the orthodoxy, especially in regards to the financial sector (Stiglitz 1998a: 1). If the East Asian economic crisis, which struck in 1997, has led some ‘ideologues’ to suggest that the roots of the crisis were to be found in the system of active state intervention (Stiglitz 1998a: 2), Stiglitz argues that the crisis should by no means be seen as a refutation of the East Asian miracle²¹ (1998a: 2):

We are unjustifiably treating the occurrence of a crisis as compelling evidence of a fundamentally malfunctioning economy. No economy since the beginning of capitalism has escaped fluctuations. The historical record, in fact, shows that East Asia has had less such fluctuations than other parts of the world – hardly evidence of a striking vulnerability in the economies. In the last three decades, Indonesia and Thailand have not had a single year of negative growth, and Korea and Malaysia have only had one each. In contrast, the United States and United Kingdom have had 6 years each of negative growth over the same period (Stiglitz 1998b: 25).

In fact, highlighting the debacle following the IMF attempts to diffuse the crisis²², Stiglitz suggested that the East Asian experience demonstrates the importance of the role of the state: ‘the heart of the current problem in most cases is not that government has done too much, but that it has done too little’ (1998a: 2)²³. The intricate experience of transitional countries from the former communist block has also demonstrated such need (Stiglitz 2001: 519). Stiglitz argues that not only was the Washington Consensus insufficient in many aspects – such as mac-

roeconomic stabilisation, financial reform, liberalised trade, and privatisation – it failed to tackle vital questions such as what the government should do and how it can do what it does more effectively (1998a: 2). As argued and analysed in detail in the next chapter, Stiglitz's analysis of the South East Asian experience became a corner stone of the framework now commonly known as the PWC. In this respect, it clearly had a strong theoretical influence on the Bank's IDM. From 1997 on, the Bank indeed rehabilitated the idea of the state as a necessary and important element of development – as illustrated by the topic of the Bank's 1997 World Development Report *The State in a Changing World*.

2.2 The Proposal for Change: the Bank's Proposal for a New Development Paradigm

In light of these numerous challenges – internal and external – faced by the Bank in the late 1990s, the following section maps the main changes proposed by the Bank under the Wolfensohn presidency. Such proposed changes, which were presented as a radical change from former practices, are important to examine since they remain the very basis of the official narrative of the new aid architecture and its aid allocation mechanisms. The objective of this section is thus to describe what the Bank *says* it has been doing and *why* it is doing it, a depiction which will be challenged in the following chapters.

2.2.1 A President With a Mission

In 2005, in the foreword to a book on the Wolfensohn era at the World Bank, Bill Clinton, a former President of the United States, was asked to reflect upon the Wolfensohn legacy:

In early 1995 I had to nominate a new president of the World Bank at a time when the institution faced unprecedented challenges. [...] The new President had to meet the challenge of leading development assistance efforts in the post-Cold War era. Jim Wolfensohn embraced it creatively, vigorously, and effectively.

Looking back over the many discussions I have had with Jim, one constant has been his passion for unleashing the tremendous potential of the World Bank to serve the world's poorest people. As President of the World Bank he has challenged the notion of what could be done and focused his leadership on what should be done. This has led to a revolution in how the Bank does business. He has made poverty reduction the *raison*

d'être of the Bank, put the client at the driver's seat, and focused the institution on results. [...] Jim's dream of a world free of poverty sparked a ripple of hope which has, in ten short years, set in motion a current that is sweeping across the world offering hope to the world's poorest people (Clinton cited in Kagia 2005: iii).

Echoing Clinton's praise, the Bank's website further emphasises the drastic changes that took place within the institution during Wolfensohn's presidency: '[...] James D. Wolfensohn focused the spotlight back on the institution's true purpose – 'fighting global poverty and helping the world's poor forge better lives' (World Bank 2008d).

The first building block of this official shift in the Bank's narrative under the Wolfensohn presidency took place in 1997. In his speech during an annual meeting – 'The Challenge of Inclusion' (Wolfensohn 1997) – Wolfensohn insisted on the importance of forging greater partnerships with development actors in order to enhance development effectiveness. It is in the following annual speech however that the President first called for an 'integrated' approach to development assistance, in which the country itself would articulate its development strategy (Wolfensohn 1998). Wolfensohn's framework was outlined in detail in a discussion memo circulated within the Bank in January 1999 entitled 'A Proposal for a CDF':

When I think of a development framework for a country and for regions, I think of a balance sheet with two sides. On the left is the macroeconomic presentation [...].

There is however, a clear need for a second side which reflects more adequately an analytical framework that presents the structural, social, and human aspects. It must go beyond the familiar statistics of infant and maternal mortality, unemployment and children in school, to address fundamental long-term issues of the structure, scope and substance of societal development.

[...] Perhaps we could speak of two sides of a coin, or two parts of a duet. What is key is that the two parts, namely macroeconomic aspects on the one side and the social, structural and human on the other, must be considered together (Wolfensohn 1999a: 4-5).

Wolfensohn then proceeded to propose a matrix in which different development actors – the 'players of the development business' – would be coordinating their efforts in a new partnership: the governments, multilateral and bilateral agencies, civil society in all its forms, private sector,

domestic and foreign (Wolfensohn 1999a: 21-22). The vertical axis of the matrix was correlated to fourteen subjects which encompassed ‘the prerequisites for sustainable growth and poverty alleviation’²⁴.

In this respect, the CDF proposal was expected to reconcile the macroeconomic imperatives with structural, social and human needs (Wolfensohn 1999a). It is now defined as a management tool, theorising what is described as an emerging consensus among the major donors on the need for a new stakeholder partnership. More specifically, the model is officially drawing on lessons learned from the DAC-OECD 1996 ‘New Partnership’ and from the convergence of views between the United Nations, some non-governmental organisations (NGOs), and other members of the international development community.

2.2.2 Implementing Wolfensohn’s Vision: the Pillars of the Reform

In March 2000, less than a year after instating the CDF, the Bank launched the Poverty Reduction Strategies (PRS), which were presented as the embodiment of the CDF philosophy. Instigated during the annual World Bank and International Monetary Fund’s (IMF) joint meeting of September 1999, PRS became a precondition for all the Heavily Indebted Poor Countries (HIPC) to access any debt relief²⁵ or concessional loan. This general strategy must be summarised in a Poverty Reduction Strategy Paper (PRSP), which covers a three-year period. The objectives are to orient the funds freed from debt relief toward poverty reduction. Crucially, the PRS are to provide the framework to achieve the MDG²⁶.

According to the Bank, it was the structural adjustment inefficiencies – as enumerated in Table 2.1 – and the persistence of world poverty that led Wolfensohn to state that if fifty years of aid efforts had indeed led to better living conditions, great efforts remained to be done in order to fight poverty. The Bank here does acknowledge the urgent need for aid to become more efficient (OED 1999: 2).

Table 2.1
From One Aid Paradigm to the Other at the World Bank

SAPs	CDF
<ul style="list-style-type: none"> ▪ Pervasive government failures ▪ Market-led development ▪ Short-term adjustments ▪ Incentive-led development ▪ Economists & financial experts dominant ▪ Liberalisation & privatisation ▪ Donors determine resource envelope ▪ Donors impose policies ▪ Donor-driven monitoring of policy 	<ul style="list-style-type: none"> ▪ Situation-dependent failures ▪ Country-led development through partnerships ▪ Long-term vision ▪ Investment, incentives, institutions viewed jointly ▪ Multidisciplinary approach ▪ Policy to match state capability ▪ Country drives aid coordination ▪ Donors provide advises to empower stakeholders ▪ Participatory monitoring & evaluation

Source: Adapted from OED 1999: 4.

In light of such deficiencies in the old development model, Wolfensohn's proposal rests on four interlinked pillars which are expected to mend the past failures: a holistic approach to development, a stronger partnership between donors and local governments, a local ownership of development initiatives and a result-based approach, as explored in details below.

A Holistic and Long Term Approach

With the adoption of the CDF – and this is indeed a step away from the SAP model – the Bank acknowledges that the pursuit of economic growth is no longer sufficient in itself. The Bank is indeed recognising that the sole pursuit of economic growth may have harmful effects on the populations of countries under reform (World Bank 2008c: 79). The CDF thus recognises that reforms should be framed within a long-term holistic approach. This was nothing less than the recognition of the complexity and the interdependency of all development facets: social,

structural, human, governance, environmental, macroeconomic and financial.

It was also recognised that under the former model, aid efforts were short term oriented. Factors such as project approach, financial crisis, political instability linked to electoral cycles, or the planning system of the donors, were well known obstructions to the long-term planning process.

The Call for a New Partnership

According to the Bank, a fundamental problem with the structural adjustment model was its failure to acknowledge the importance of local ownership of the reforms. The institution states that the former model would have failed in part because donors clung to resource envelope imposed policies and also drove the monitoring process (OED 1999: 4). As such, the model's second pillar calls for a 'partnership', which is expected to tackle this predicament, as it would guide all development actors toward a greater efficiency in poverty reduction.

Torn between the numerous bilateral projects, the public sector of countries under reform often proved incapable of managing and coordinating the projects in an effective way. Such outcomes suggested the necessity to rethink the partnership between donors and local governments. Here, the new framework proposed to harmonise all aid practices by forging strategic alliances with donors in order to reach a consensus on the appropriate political changes and the capacity building required by the country. All donors would therefore link their respective management plans to the national strategy of the developing country. But this conclusion also implies that in order to foster genuine ownership, donors have to rethink 'conditionality'. Too often perceived as an instrument for donors to impose their own objectives on recalcitrant governments, conditionality was now to be used as a mere indicator of a partnership towards the realisation of agreed development objectives (OED 1999: 26). Such partnership suggests a new framework, where conditionalities are 'flexible' rather than 'coercive'. Crucially, aid programmes are expected to be based on the development plan proposed by the beneficiary government and the conditional character of this aid would merely be used to define the parameters of the foreign support.

The Ownership Imperative

The new model's third pillar is the need for a local ownership of development initiatives or, as stated by Wolfensohn, to put the country back 'in the driver's seat' (1999a: 9). After twenty years of structural adjustment, the Bank now recognises that national governments of countries under reform are the most legitimate actors to define a national development policy and poverty reduction programmes: 'Projects have tended to perform poorly when they were prepared by outsiders, did not engage stakeholders and beneficiaries, exceeded local implementation capacity, and did not engender borrower commitment' (OED 1999: 3). Furthermore, ownership of development strategies would be imperative to ensure reform sustainability. The new framework therefore advocates a global strategy and the management of development objectives by the national government itself. In the elaboration of this strategy, governments would try to coordinate the interventions of the internal and external actors towards common objectives. This implies that governments would have to construct an internal consensus on the strategies to be pursued by the country together with political structures, civil society and the private sector. From this consensus, priorities would be defined by the state, in collaboration with donors, in order to attain development objectives on a long-term basis.

A Result Base Approach

Finally, the new aid framework states that development efforts must yield results. According to the Bank, aid fragmentation as well as the lack of consultation between development actors, have undermined the capacity of local government to establish a sustainable development strategy. As such, donors are rethinking the traditional project approach. On the one hand, donors deplore the lack of consultation between the different actors, which leads to a waste of resources. Furthermore, sometimes more than two years elapse between the identification and the implementation of a project causing donors to conclude that budgets and time frames linked to the project approach are often disproportionate. On the other hand, governments also question the project approach as it often excludes them from the process altogether. The new aid model thus advocates a more harmonious development strategy that would answer to the global needs of the country as a whole, such as the Sector wide approach' (SWAp).

Approved by the IMF, the G-7 and the OECD and now implemented by most bilateral donors, PRSPs are currently on the agendas of about seventy low-income countries around the world, as listed in Table 2.2.

*Table 2.2
Countries Engaged in a PRS Process*

Afghanistan	Ethiopia	Mongolia
Albania	The Gambia	Mozambique
Armenia	Georgia	Nepal
Azerbaijan	Ghana	Nicaragua
Bangladesh	Grenada	Niger
Benin	Guinea	Nigeria
Bhutan	Guinea-Bissau	Pakistan
Bolivia	Guyana	Rwanda
Bosnia & Herzegovina	Haiti	Sao Tome & Principe
Burkina Faso	Honduras	Senegal
Burundi	Indonesia	Serbia & Montenegro
Cambodia	Kenya	Sierra Leone
Cameroon	Kyrgyz Republic	Sri Lanka
Cape Verde	Lao P.D.R.	Tajikistan
Central African Republic	Lesotho	Tanzania
Chad	Liberia	Timor-Leste
Comoros	Macedonia, FYR	Uganda
Congo, DRC	Madagascar	Uzbekistan
Congo, Republic of	Malawi	Vietnam
Cote d'Ivoire	Mali	Yemen
Djibouti	Mauritania	Zambia
Dominica	Moldova	

Source: List on the World Bank website. Available at <http://go.worldbank.org/FXXJK3VEW0> (accessed July 5, 2007)

The Wolfensohn presidency was, at least officially, marked by important transformations within the traditional aid package, both in its content and in its delivery schemes. Such changes at the Bank, under the Wolfensohn presidency, are referred to within the greater thesis as the Integrated Development Model (IDM)²⁷.

Conclusion

Sixty-five countries²⁸ and an estimated one billion and a half people are involved in the new aid model proposed by Wolfensohn. Officially, such

an agenda would be based on partnership, ownership and participation and would acknowledge that development is much more than pure macroeconomics. Suddenly, we saw the Bank's narrative shift towards poverty reduction and the institution multiply the outreach to civil society movements. There is no doubt that the Wolfensohn era has changed the Bank.

However, beyond the heart-warming objective of reaching the Millennium Development Goals, the 1990s had plunged the Bank into a legitimacy crisis. Ironically, the model was being criticised both from within and from outside. While the Bank's technocratic and apolitical culture clearly gives it its own rational, the end of the century forced the institution to embrace a change – the IDM. The failure of conditionality, the tumbling economies of countries under reform, the poverty predicament and the apparition of a stronger, more organised international critic, had plunged the Bank into a legitimacy crisis it could no longer ignore.

While this review has addressed the historical roots of the current transformation of the Bank towards 'a new way to do business', the content of the IDM remains to be studied. In other words, if we now understand *why* the Bank *was forced* to change, the actual solution proposed by the Bank to address the escalating setbacks of the Washington Consensus remains to be analysed. It is indeed still not clear if the IDM will be able to mend the challenges that the Bank was facing at the turn of the century or whether it will be overturned by various vested interests.

As studied in the next chapter, the IDM needs to be analysed in light of its theoretical framework in order to challenge its main narrative centred on poverty reduction and participatory objectives. Building on the different historical international elements that led the Bank to its legitimacy crisis at the end of the 1990s, as presented in this chapter, it will be argued that these events and the Bank's response, are symptoms of a greater crisis: the crisis of the neo-liberal model.

Notes

- ¹ Adapted from IBRD Articles of Agreement, Article I 'Purposes'.
- ² On the subject, see Miller-Adams 1999; Harrison 2004, 2006; Mallaby 2004.
- ³ The votes include a specified number of membership votes (which is the same for all members) and additional votes based on the number of shares of the

stock held. The main complaints emerging from countries under reform on such practices is that on the one hand, it fails to acknowledge the size of populations and economies of members and on the other hand, it seriously misrepresents borrowing countries – which are the borrowers and thus the ones mainly affected by the decisions.

The shareholders are represented by a Board of Governors, which usually are member countries' ministers of finance or of development. They meet once a year at the Annual Meeting of the World Bank Group and the IMF. As the governors only meet annually, they delegate specific duties to the Executive directors.

⁴ This is indeed a good point for no one will deny the over arching influence of the US within the IFI. This is argued by Wade (2001b) who lists the different tools of influence used by the US on the Bank. Wade further points out that since the US Congress, alone among member legislatures, has to approve not only the tri-annual pledges to the Agency but also the annual release of pledged funds, there are unique opportunities for American legislators and their friends to impose conditions of their own. In addition, it is American thinking about the roles of governments and markets that sets the conceptual centre of gravity for World Bank debates, rather than that of Europe, Japan or the developing countries. The author goes on and points out that the vast majority of Bank economists, whatever their nationalities, have a postgraduate qualification from a North American university (See Wade 2001b: 127).

⁵ For a detailed debate on the subject see Wade's article 'Making the World Development Report 2000: Attacking Poverty' (2001a).

⁶ The International advocacy NGO *Third World Network* concludes: 'To many, the first draft of the report raised uncomfortable questions about the impact of adjustment and globalisation on the poor, questions which suggested that economic liberalisation - long considered by both the Bank and the IMF as an indispensable to restoring growth and reducing poverty - may have devastating effects on the most vulnerable sectors' (Lobe 2000).

⁷ Interestingly, according to World Bank insiders cited in *The Nation*, Summers would have reportedly pressured Wolfensohn to let Stiglitz go if he wanted another term at the presidency of the World Bank (Henwood 2000).

⁸ Summers, who served as Chief Economist of the World Bank from 1991 to 1993, would have re-written the globalisation sections of the WDR. On the subject, also see Mosley (2001).

⁹ See for example Easterly 2002; Mallaby 2004; Miller-Adams 1999; Wade 1996, 2001a, 2001b.

¹⁰ Wade argues that: 'The Organization's few non-economist social scientists are employed on marginal issues like resettlement and participation, like anthropologists by colonial administrations before them' (Wade 1996: 30).

¹¹ Geo-political interests have always influenced the Bank's policies. As such, the Bank's first policies towards 'under-developed' countries were influenced by the two great questions of the time: how to ensure that the ex-colonies would not follow the communist path and how these countries would copy the Western development model in order to reach development. Coincidentally, the first aid model espoused by the World Bank – the planning paradigm – significantly tapped into Walt W. Rostow's modernisation theory. It indeed conveniently combined clear anti-communist objectives with a straightforward plan for any stagnating countries to reach economic maturity – here understood as a mass-consumption society (Rostow 1960). This was quite appealing to governments and aid practitioners and gave tremendous power to 'western experts' here perceived as both guides and advisers to so-called 'less-developed' countries (Toye 1987: 11). Throughout the period, the Bank's loans closely followed the model, which viewed developing countries' institutions as being too poorly equipped to face the developed world infusion of capital, technology and knowledge (Goldman 2005: 14). As such, loans were mainly directed to providing physical infrastructure as engine of economic growth.

Critics of modernisation theory argued that the international system, far from being a guarantor of Southern countries' prosperity, actually constrained it in a state of dependency or, as coined by Andre Gunder Frank a processes characterised by 'the development of underdevelopment'. The Neo-Marxists and *Dependentista* movement could indeed point to the ongoing failure of growth in countries with close economic ties to the metropolitan economies and cast doubt on orthodox economic solutions based on market liberalisation via the systematic promotion of exports. Reaching its apogee in the 1960-70s, structuralist proposals led to a wave of protectionism and attempts to substitute imports.

¹² Let us not forget the role of the Bank itself in enticing developing countries to borrow as well as the institution key position to encourage private and public lenders to loan more, especially during the McNamara presidency. According to Caufield, from less than a billion US\$ in 1968, the McNamara presidency brought the Bank's loan to 12 billion US\$ in 1981, totalling 77 billion US\$ of loans in thirteen years (Caufield 1997: 104).

¹³ McNamara, the President of the Bank at that time, tapped the sudden surfeit of capital flowing from the surges in oil prices and expanded the Bank's projects, a move that: '[...] transform[ed] the institution into a global player' (Goldman 2005: 15).

¹⁴ As observed in the SAPRIN report, the magnitude of the debt particularly in Latin America was also the result of governments' decisions to take: 'on the added responsibility of repaying not only their own debts but also those of private companies, including many loans that they had not guaranteed' (SAPRIN

2004: 1).

¹⁵ In *The World's Banker*, Mallaby (2004) successfully depicts the tensions within the Bank to address the tarnishing image of the Bank's work.

¹⁶ Clausen was president at the Bank from 1981 to 1986.

¹⁷ Founded in 1994, on the occasion of the 50th anniversary of the founding of the World Bank and IMF, *50 Years Is Enough* is a U.S. Network for Global Economic Justice, a coalition of over 200 U.S. grassroots, women's, solidarity, faith-based, policy, social- and economic-justice, youth, labor and development organizations dedicated to the profound transformation of the World Bank and the IMF. Available at <http://www.50years.org>

¹⁸ The OED is the independent branch of the World Bank which is now called the Independent Evaluation Group (IEG).

¹⁹ The key recommendations of the *Wapenhans Report* were: 1) that portfolio management requires more sustained management attention; 2) that problem projects should be addressed more expeditiously; 3) that the quality of projects entering the portfolio must be improved; 4) that Bank staff must provide support for projects without relieving the borrower of responsibility; 5) that OED's evaluation role should continue, and the Project Completion Reports should be replaced by Implementation Completion Reports; 6) The Bank's cultures should become more attuned to on-the-ground net benefits as the measure of success rather than loan approvals (World Bank 2005: 222).

²⁰ See the Special Edition of the Cambridge Journal of Economics on the Asian Financial Crisis (1998, No. 22, Vol. 6). For a review of the orthodox standpoint, see *East Asia in Crisis: From Being a Miracle to Needing One?* (McLeod and Garnaut 1998).

²¹ 'No temporary financial turmoil can or should detract from these achievements, which include not only large increases in per capita GDP, but also extended life spans, widespread education, and dramatically reduced poverty' (Stiglitz 1998a: 2).

²² Stiglitz has been quite vocal on the subject and suggests that: 'The more dogmatic versions of the Washington Consensus does not provide the right framework for understanding both the success of the East Asian economies and their current troubles. Responses to East Asia's crisis grounded in this view of the world are likely to be, at best, badly flawed, and at worst, counterproductive' (Stiglitz 1998a). See also Stiglitz (2001).

²³ For Stiglitz extensive analysis of the East Asian crisis, see 'Some Lessons from the East Asian Miracle' (1996).

²⁴ These are: Good and Clean Governance; Justice System; Financial System; Social Safety Net and Social Programs; Education and Knowledge Institutions;

Health and Population; Water and Sewerage; Energy; Roads Transportation and Tele-communications; Environmental and Cultural Issues; Rural Strategy; Urban Strategy; Private Sector Strategy and Country Specific issues.

²⁵ A HIPC by definition faces ‘an unsustainable debt situation’ after the full application of traditional debt relief mechanisms (Naples terms under the Paris Club agreement). According to the World Bank, a country's debt level is considered unsustainable, ‘if the country's debt-to-export levels are above a fixed ratio of 150%; or if the country has a very open economy and exclusive reliance on external indicators may not adequately reflect the fiscal burden of external debt, the debt-to-government revenues are above 250%’. See ‘The Enhanced Heavily Indebted Poor Countries Initiative’ on the World Bank’s website. Available at <http://go.worldbank.org/85B908KVE0> (accessed March 2008)

²⁶ The MDG were adopted at the 2000 United Nations Millennium Summit as a tool by which the international community would measure progress on key dimensions of development. Officially, the MDG represent a global ‘partnership’ to reduce extreme poverty and setting out a series of time-bound targets - with a deadline of 2015. The MDG are: to eradicate extreme poverty and hunger, to achieve universal primary education; to promote gender equality and empower women; to reduce child mortality; to improve maternal health; to combat HIV/Aids, malaria and other diseases; ensure environmental sustainability; and to develop a global partnership for development. Available at <http://www.un.org/millenniumgoals>

²⁷ Such a term readily encompasses both the Bank’s new narrative and the new aid allocation mechanisms – such as the CDF and the PRSP. Within this thesis, we use the terms IDM, *new aid paradigm*, *new aid model* and *new aid architecture* in an interchanging way.

²⁸ As of 2007.

3

The New Institutional Economics and the Politics of the Post-Washington Consensus

History may not repeat itself, but sometimes it rhymes.
(Mark Twain)

Introduction

Since the end of the Second World War, the different conceptualisations of ‘development’ have been closely linked to theories of the state, to the problem of how governments should relate to markets, and to what the right degree of interventionism should be. While the 1960s and 1970s were defined by the central role of state planning within Keynesian policies, the disillusion with such forms of interventionist state gave way to market fundamentalism in the early 1980s and to the vision of the state as a clear obstacle to economic – and social – development.

However, as explored in the previous chapter, the 1990s progressively saw a retreat from the structural adjustment model in its more extreme form. The East Asian experience was one factor that led to much soul-searching amongst those who had previously advocated the strict implementation of the Washington Consensus. Not only was the highly successful East Asian miracle the product of unorthodox policy, the following Asian financial crisis also went a long way to discredit the Washington Consensus principles of unconstrained markets. Furthermore, and to the great dismay of the multilateral organisations, the difficulties that former communist countries experienced in their transition to markets raised serious doubts about the effectiveness of market-based shock therapies as an effective prescription for change.

These experiences gave momentum to new conceptualisations of the state as a facilitator of markets and to new ideas about the role of society in supporting market policies, now commonly packaged under the all-

encompassing post-Washington Consensus (PWC). However, there remains much confusion about the new consensus: who defined it, what it is and more importantly, what it actually does. Furthermore, a common misunderstanding about the aid reform – and more generally the PWC – is linked to the novelties that it actually brings forth. On the one hand, it remains grounded in the idea that market reforms are the way to achieve growth and prosperity. On the other hand, it encompasses a tactical shift in order to tackle the socio-political challenges that are produced by markets and sometimes obstruct market reforms.

While the World Bank has been a key part of the PWC, the institution's specific role in conceptualising, laying the foundations and actively promoting the PWC will be studied in the following chapter. In this chapter, the central claims of the PWC and its theoretical foundations are analysed.

Stiglitz's work has undeniably had a great influence on defining the PWC itself, and as such, a great deal of the analysis is focused on his work. Yet, the 'Stiglitzian Post-Washington consensus', as coined by Carroll (2007), fails to render a complete picture of the new aid agenda proposed by the Bank and the ideas that sustained it. In fact, while the former Chief Economist did have an unmistakable influence in drawing the blueprints of the new aid framework, the reform has a range of wider influences from the greater academic stronghold of New Institutional Economics (NIE).

This chapter investigates the theory behind what is now known as the PWC. It is crucial to clarify the confusion between narrative, assumptions and methods. As such, the clear dichotomy in the PWC between an emphasis on the regulatory state and a narrative revolving around participation and social development is emphasised in this chapter. It aims to demonstrate how a focus on the pivotal role of institutions in economic development involves the absence of the idea of power in the theoretical framework of the PWC. Such an exercise, it is proposed, will shed light on the political underpinning of the new consensus and allows us to re-locate its framework within the larger context of the consolidation of neo-liberalism. The key point here will be to demonstrate that the PWC is about addressing the tensions of the Washington Consensus *without* actually challenging its fundamental assumptions and goals or undermining crucial aspects of power. This is done by directly entering the realm of politics, pushing the reforms further into the political fabric of

society. It will therefore be argued that the PWC carries a *political project* which seeks to free the state from what is perceived as the ‘debilitating effects of political bargaining’ (Jayasuriya 2001: 1).

This is a necessary step prior to reverting to our main object of study: the World Bank and its new aid allocation mechanism, which is the subject of the following chapters.

3.1 Stiglitz’s Post-Washington Consensus and New Institutional Economics: Building the Case for the State

In direct contradiction to the ideas that reigned over aid reform for two decades, Stiglitz argued that markets alone couldn’t bring forth economic development. In a series of lectures and papers, Stiglitz criticised ‘market fundamentalism’ at the core of the Washington Consensus and presented a new framework to replace it; popularly known as the PWC. By ending the dichotomy between state and market which prevailed for two decades, Stiglitz’s PWC emphasised the key role played by institutions while also shedding a new light on non-market actors.

This focus on institutions has more fundamentally been the credo of New Institutional Economics and the work of authors such as George Akerlof, James Buchanan, Claude Menard, Douglass North, Gordon Tullock and Olivier Williamson. They seek to explain the history of institutions according to the assumptions of the neo-liberal economic theory (Hadiz 2004: 697). In other words, NIE addresses the gaps of neo-classical economy by expanding its reach to social and legal dimensions of development. In this sense, ‘institutional’ deficiencies are described as the reason for the failure of structural adjustment reforms¹.

For Douglass North, the 1993 Nobel Prize winner for Economics, institutions are the rules ‘of the game of a society’ (North 1995: 23). Institutions are here defined as formal legal rules, informal social norms that govern individual behaviour and structure social interactions. NIE’s given originality is to focus on transaction costs – the costs of making an economic exchange – and to postulate that institutions can minimise such costs. On the one hand, the school keeps in line with neo-classical economic assumptions of scarcity and hence competition; but on the other hand abandons instrumental rationality: ‘the assumption of neo-classical economics that has made it an institution-free theory’ (North 1995: 17). In so doing, NIE acknowledges that institutions are necessary;

that ideas and ideologies do matter, and that efficient markets – both economic and political – do not, in fact, characterise economies (North 1995). This is derived from the recognition that information is imperfect and that human beings have a limited mental capacity to process this information. Such obstacles create the need for institutions to minimise the risks incurred by transacting on the market.

The new public choice view of society and politics indicates that individuals are seeking their own interests and are prone to ‘rent-seeking’, which by definition – and as studied later in this section – undermines markets. Institutions therefore, are seen as necessary to constrain behaviour, to address the problems of transaction costs and ensure the collective interests of capital. While market fundamentalists saw the state as an obstacle to be removed, the new public choice school sees governments and state authority as necessary to protect the markets from the naturally predatory nature of politics. Crucially, public choice advocates see the state in terms of a technocratic instrument outside the irrationalities of politics.

The problem is, of course, to determine where institutions come from. This sprang from Ronald Coase’s (1937) pioneer thesis on transaction costs in which he asks ‘why a firm emerges at all in a specialised exchange economy’ (1937: 390). He argues that it is profitable to establish a firm in order to address the costs of using the price mechanism (1937: 390). In fact, the author’s work was groundbreaking in suggesting that in the real world, the transaction for obtaining a given good does not correlate directly to the price of the good itself. Coase indeed observes that prices are affected by using the market as diverse transaction costs emerge – such as search and information costs, bargaining costs, policing and enforcement costs, etc. In other words, he argues that contrary to the beliefs of the classical orthodoxy, the price mechanism does not always ‘work itself’ out in the economic system (Coase 1937: 287). The author thus concludes that firms emerge to minimise these transaction costs.

Douglas North (1997) states that institutions matter when it is costly to transact, and: ‘it is costly to transact’, states the author (1994: 360). Institutions form the incentive structure of a society, and the political and economic institutions, as a result, are the underlying determinants of economic performance². There is here a distinction to be made between such institutions as the rules of the game and institutions as ‘organisa-

tions' which may be defined as an area of activity within which the market does not coordinate the activities of the participants (such as governments departments, state enterprises, banks, armies, etc. (Arkadie 1990: 154-5).

Deeply rooted in NIE, Stiglitz's proposal for a PWC revolves around two fundamental problems: the efficiency of the market economy, and the appropriate relationship between the market and the government (Stiglitz 2001: 472). The solution would be two-fold: bringing the state back in and expanding development goals.

In his paper presented on the tenth anniversary of the MITI Research Institute in 1998, Stiglitz dissects the successes and failures of the South East Asian model in order to provide a framework for re-examining the role of the state. Such a framework not only looks at what the government should be doing, but also how it should do it, and perhaps most importantly, how these decisions are made (Stiglitz 1998b: 30). The answer to these questions, argues Stiglitz, can be found in Information Economics. The author has long been arguing that information problems are central to understanding not only market economics but also political economy. In this respect, he refutes Adam Smith's theory and argues that there is no such thing as perfect information: '[...] the reason that the hand may be invisible is that it is simply not there – or at least that if is there, it is palsied' (Stiglitz 2001: 473). Stiglitz does challenge the main orthodoxy by suggesting that just as markets strive to overcome asymmetries of information, there is also a need to address these asymmetries in political processes as well (2001: 474). This is in fact the subject for which he, along with George Akerlof and Michael Spencer, won the Nobel Prize for Economics, in 2001.

Crucial to the PWC and the World Bank's new aid agenda, Stiglitz concludes that as market failures are a general feature of any economy with imperfect information and incomplete markets – even more so in countries under reform – the state has to step in. Stiglitz does address the 'rent-seeking' argument at the core of New Political Economy (NPE). Indeed he concedes that the existence of imperfect information and incomplete market alone does: 'not automatically mean that government intervention can improve upon matters' (Stiglitz 1998b: 6).

It is vital to note here that it was the NPE that fed the core framework of the structural adjustment model. NPE is about the interactions of economics and politics or, in other words a neo-classical theory of

politics (Meier 1991: 5). It applies the same concepts and principles of neo-classical economy to market and political realms – i.e. the unit of analysis is the individual, which behaves rationally. NPE emerged out of the troubled waters of the late 1970s when economists, bewildered by what appeared to be developing countries' irrational behaviour in regards to development economics, started tackling the issue of politics. NPE tried to develop a neo-classical economic theory of politics that would serve to explain what it saw as an 'economically irrational policy'. This came to challenge the basic assumption within the 'planning paradigm' that the policy makers' conception of public interest corresponded to the economic notion of maximisation. Looking back on the planning development era Nicholas Stern, the Senior Vice President of Development Economics and Chief Economist of the World Bank, observes that:

On the empirical side, evidence mounted that government failure was indeed important in the developing world. Central planning was undermined both by its colossal failures (white-elephant projects for which there turned out to be no demand) and by the smaller day-to-day disturbances and wastefulness that stemmed from the lack of price signals. And although import substitution contributed to impressive growth in some countries, support for that approach waned as its costs in terms of rent-seeking and difficulty competing in international markets became more and more apparent (Stern 2002: 4).

The idea of 'rent seeking' was propelled as a *porte-étandard* to explain the 'use of the state to maximise economic gains for specific self interests' (Grindle 1991: 46). The term 'predatory state' was also coined, the latter describing a state seeking to maximise short term revenues and pursue a variety of forms of taxation that allow it to increase its wealth (Grindle 1991: 49). NPE argues that allocating rents to powerful groups is part of the art of governing. The shift toward this neo-liberal framework appeared to explain why many developing states, with their expansionist bureaucracies, corrupt leaders and oversized projects, failed to capitalise on development opportunities. At the Bank, this turn toward a fundamental 'market only' model was led by Anne Krueger, the World Bank's Chief Economist at the time, who coincidentally had coined developing government irrational behaviour as 'rent-seeking' (Krueger 1974).

In this respect, structural adjustment reforms aimed for a minimalist state, which does not intervene in the economy – if only to set the rules of the social game and arbitrating disputes (Preston 1996: 253). Reforms

pushed by the Bank reflected the unshakeable idea that free markets alone would maximize welfare. As argued by Friedman (1962), free markets would be nothing less than a precondition for political freedom. Table 3.1 gives an over-view of the main points respectively advocated by the planning and the structural adjustment paradigms.

Table 3.1
The World Bank's Development Paradigms in Comparison

Planning Paradigm	Structural Adjustment Paradigm
<ul style="list-style-type: none"> ▪ Pervasive market failures ▪ Government-led development ▪ Centrally driven; detailed blueprints ▪ Industrialisation with import substitution 	<ul style="list-style-type: none"> ▪ Pervasive government failures ▪ Market-led development ▪ Short-term adjustments ▪ Liberalisation and privatisation

Source: Adapted from OED 1999: 4.

The failed attempt to see markets flourish simply through policy reform drew attention to the need for some regulation by the state and for effective institutions. As such, the aftermath of the 1980s gradually forced neo-liberal policy-makers to recognise the pivotal role of the state in determining the success or failure of such reforms. As observed by Robison: 'it was only through the state that neo-liberals, ironically, gained the foothold that enabled them to enforce their policies' (2006b: 4). Stiglitz emphasises this by suggesting that while rent-seeking is indeed important to consider, the 'general theory of partnership' is better suited to address the problem. He points out that government can change the 'game' that the private participants are playing in ways which are welfare enhancing (Stiglitz 1998b: 9):

While older literature focused on dissipative rent seeking, this newer work has emphasized how governments can create rents which enhance incentives for, say, prudent behavior in the financial sector, or more generally for wealth creation. [...] Not only can government actions thus improve the behavior of market participants, but the government actions themselves can be shown to be 'incentive compatible,' that is, under plausible hypotheses concerning government objectives, such actions can be shown to be in the interests of the government itself (Stiglitz 1998b: 10).

Therefore, Stiglitz proposes to bring the state back in, which is a fundamental element of the PWC. A word of caution however, Stiglitz does *not* advocate an interventionist state which would be substituting itself to the market:

There is a growing consensus that governments can play a vital role in successful development efforts, but we also recognize that the wrong kind of government intervention can be highly detrimental. We have recognized that the scope and effectiveness of government activities, rather than simply the size of the government's budget or personnel, is the key issue. Within a given size range, governments' effectiveness can vary widely with the scope of its activities: they can do too much of some things and too little of others, and redirecting the State's efforts could produce benefits on both accounts (Stiglitz 1998b: 2).

Stiglitz insists on the importance of getting government to focus on what he calls the 'fundamentals' – i.e. economic policies, basic education, health, roads, law and order, environmental protection. For example, he states: 'I agree that government should focus on what it alone can do, and it should leave the production of commodities like steel to the private sector' (Stiglitz 1998a: 2). In this regard, Stiglitz further argues that governments and markets should act in a complementary fashion. The obvious dilemma with such emphasis on institutions relates to the definition of what 'good institutions' entail and more importantly, how to create them. Here Stiglitz points towards a growing consensus on the need to address corruption (2002: 3). This brings the economist to highlight the importance of institutions: 'it is not just economic policies and human capital, but the quality of a country's institutions that determine economic outcomes' (Stiglitz 1998a: 17).

The central point to be made is that institutions are designed to alter behaviour by imposing specific incentives and penalties. Thus institutionalism is intertwined with the idea of governance. The New Public Management for example, offers a method of ensuring competition and protecting property rights through new forms of governance.

3.2 The Politics of the PWC

While the PWC represents a clear adjustment from the previous model, its theoretical roots do not encompass a departure from orthodox economics. A common misunderstanding about the current aid reform –

and more generally the PWC – is linked to the novelties that it actually brings forth. On the one hand, the new agenda indeed remains grounded in the market model. On the other hand, however, and this is the crucial argument of the following section, it also encompasses a tactical shift in order to tackle the socio-political challenges encountered during the last decade. The institutional turn that it brings forth specifically extends the idea of structural adjustment to the political and social realm. In other words, far from dissociating itself from the basics of the Washington Consensus fundamentals, the new agenda ventures a step further towards socio-political engineering and as such represents the achievement of the rationality of the market. As it will be seen throughout the greater thesis, such rationality raises key concerns relating to the distribution of power and liberal democracy. More importantly, it raises the question as to which interests are served with the promulgation of the new framework.

There is a pressing need to acknowledge the political dimensions of the reform process. Ideas that institutions are forged in conflicts over power and its distribution are useful in disaggregating some of the basic assumptions of NIE. Researchers from the *Asia Research Centre*³, for example, propose a ‘political diagnosis exercise’ which comprise of mapping out: ‘the interests and conflict associated with class relations and global capitalism that give rise to specific complexions of social structures’ (Rodan, Hewison and Robison 2001: 86). The central argument here is that institutions are socially constituted structures that allocate power in an asymmetric way. As such, and contrary to NIE assumptions which are formulated in apolitical administrative terms, institutions and policy are understood to be embedded in different amalgams of social and political power. While NIE’s centrality is focused on efficiency, the social conflict approach argues for the need to transcend individualist methodology and to specifically identify who would benefit from such efficiency and for what purposes. As argued by Rodan, Hewison and Robison:

Power, in turn, influences the composition of individual institutions and institutional matrices. The broader argument here is that this relationship is often dramatically unequal, with specific groups being able to garner resources via particular sets of institutions to the detriment of other groups. Here, class divisions are essential lines of demarcation in explaining the

capacity or lack thereof to shape institutions and also benefit from their output (2001: 87).

The power variable allows for the PWC – and therefore the World Bank’s reform, as analysed in the following chapters – to be located within the transformation of the neo-liberal framework. Neo-liberalism is here defined as ‘a political project of embedding market values and structures not just within economic, but also within social and political life’ (Rodan 2006: 197). If neo-liberals have been keen to shift power relations in order to embed the market since the counter Keynesian revolution, the more recent institutional framework proposed by NIE, Stiglitz and the World Bank reflects the ongoing division within neo-liberalism on how to achieve such goals⁴. On the one hand, there is the *laissez-faire* camp, which believes that market should be free of any obstacles in order to perform efficiently. The other strand of neo-liberalism – to which Stiglitz is associated – advocates the idea of a ‘social market’ which suggests that the full potential of the market may be achieved with an active state⁵. Of great importance is the fact that both these branches of neo-liberalism require the intervention of the state. While the proponents of the first strand of neo-liberalism believe that the state’s role should be limited to removing obstacles to the market efficiency, the second strand suggests that it should intervene in order to create the right kind of institutional settings for market to function (Gamble 2006: 21). Novel to the advent of the PWC is the idea that the state must be brought back in order to correct market imperfections. In other words, it is about correcting the implementation problems of the neo-liberal framework. As argued by Stiglitz: ‘the choice should not be whether the state should or should not be involved. Instead, it is often a matter of how it gets involved’ (Stiglitz 1998a: 15).

This current shift in focus from ‘if’ to ‘how’ in relation to state intervention is quite important for the new framework and the political baggage that it brings forth. The momentum recently gained by the institutional strand is by no means a warning sign of the retreat of neo-liberalism. As argued by Fine (1997), it is ‘wishful thinking’ to suggest that the neo-classical orthodoxy is in crisis on its traditional analytical patch:

[...] fortress economics is as strong as ever and is not suffering at the expense of colonisation. Indeed the two have a positive synergy irrespective of the long standing recognition of the weakness of heterodox alternatives

that have vacated the space of the orthodoxy to expand its scope without intellectual embarrassment.

This no doubt is connected causally to the ideological triumphalism of the market over the past twenty years. As policy stance have again and again emphasised the virtues of extending market forces to as many areas of activity as possible, it is hardly surprising that this should induce the economics of the market to tread where previously methodological individualism had been unable to obtain a foothold (Fine 1997: 147).

What is particularly evident at this junction is that the PWC represents a shift intended to consolidate neo-liberalism. Gill's work on 'disciplinary neo-liberalism'⁶ shows that there exists a change in the form of discipline being exercised over economic and political behaviour by the logic of markets. In fact, during the 1980s and 1990s neo-liberals often faced political backlash against market reforms. It was thus increasingly recognised that a change was required to clear the way for markets against their opponents and those who use them for predatory purposes. Robison refers to 'neo-liberal institutionalism' (2006b: 5) to depict the recent acknowledgment by the neo-liberals that a form of state authority was actually necessary to protect the markets from the (ir)rationality of politics. In other words, neo-liberal institutionalism represents a shift towards a technocratic form of state.

NIE was therefore the key in opening up new opportunities for neo-liberals to enter the political realm of reforms. In positioning investor's confidence and contract security as the corner stone of the success of economic development process, what is described as 'efficient institutions' indeed become pivotal. Such institutions would lessen insecurity and in the process, motivate investors. Although often predatory, the state is acknowledged to be the only one who has the authority – via the executive, legislative and judiciary branches – to offer contract security. In this light, the language of NIE should be analysed in terms of being 'pro order' rather than being 'pro state' (Cartier-Bresson n.d.: 6). What this implies, as Gill (2000) notes, is that the state itself is increasingly subjected to market discipline, governments now actively seeking to inspire the confidence of investors. Thus disciplinary neo-liberalism: '[...] involves the ways that public policy has been redefined so that governments seek to prove their credibility, and the consistency of their policies according to the criterion of the confidence of investors' (Gill 2000).

The PWC is viewed as a strategy which aims to lock-in market-enabling policies, here defined as policy whose primary aim is to liberalise and stabilise markets such as internal/external trade policy and monetary policy (Harmes n.d.: 25). Crucially, such objectives are set into a long-term framework, the idea being to prevent a policy reversal by the political apparatus of a given country. This closely relates to what Jayasuriya calls ‘economic constitutionalism’, which he defines as: ‘the attempt to treat the market as a constitutional order with its own rules, procedures, and institutions operating to protect the market order from political interference’ (Jayasuriya 2003: 3). Whilst traditional notions of constitutionalism emphasise political rights, obligations, freedom and procedures that give institutional form to the state (Gill 1995: 9), new constitutionalism seeks to insulate technocratic decision making from the influence of politicians and citizens:

[...] the constitutional aspect of the contemporary global political economy shows that the issues are much more long term – both in terms of the deep structural transformations in economy, state and society that are underway and because constitutions are generally very difficult to change (Gill 2000).

Set within such framework, the PWC clearly promotes political objectives. This is to say that the politics of this *anti-political project* at the heart of the PWC are about – and this is not without irony – acknowledging politics but only to identify and promptly close the gates to what is considered political intrusion. Jayasuriya’s extensive work on the PWC is here key to the understanding its political ramifications. He argues that the current shift is in fact a political and an economic project that aims to create new forms of statecraft – what he calls the ‘new regulatory neo liberalism’ (Jayasuriya 2006). Crucially, the PWC is a framework that seeks to enshrine the policies of the former model (Jayasuriya 2003: 2). With such insights in mind, the shift in neo-liberalism should not be portrayed as ill-defined. In fact, it represents a consolidation of neo-liberalism by ways of securing the economic achievements of the last decade on the one hand, and on the other hand, by pursuing a greater expansion of markets via the colonisation of the realm of political society. If the means to achieve such objectives have been fine tuned, the objectives of the framework have not changed. The current shift recognises the importance of the state to secure the market order:

A free economy requires a strong state, both to overcome the obstacles and resistance to the institutions of a free economy, which constantly recur, and also to provide the non-market institutions, which are necessary for the market to be successful and legitimate. The necessity for the economy to be free and the state to be strong is perhaps the chief hallmark of neo-liberal thinking, but also one of the main sources of its contradictions (Gamble 2006: 22).

Although the impact of these contradictions are the specific subject of the following chapters, it is relevant to note here that the World Bank has been pivotal in conceptualising, laying the foundations and actively promoting neo-liberal institutionalism in the last decade and more importantly, with the recent advent of the IDM. The Bank's concept of governance has been the perfect narrative and tool to promote the political project, most importantly because the concept is so malleable. As studied in the following chapter, the governance umbrella, which has been conceptualised in key publications such as the WDR *The State in a Changing World* (1997) and *Building Institutions for Markets* (2002), has been key in instigating legal-judicial mechanisms in countries under reform in order to isolate market-enabling policies from the political realms.

This shift in neo-liberalism, which is spurred by NIE rationality, means that the old taboo of multilateral organisations addressing politics within countries under reform is no longer relevant. Indeed the rationale that institutions are key to sustaining the neo-liberal framework opens the political apparatus of the state to the reform agenda while simultaneously providing the explanations for the past failures of the reforms. The ensuing model is thus tautologically striking as it gives permission to enter the political terrain in order to depoliticise it in the name of market efficiency, i.e. to ignore the political conflicts at the heart of the framework. Crucial to such internal logic, the neo-institutional model becomes impervious to historical, social and political arguments which ground the majority of social sciences. As summarised by Fine, Lapavistas and PinCUS:

[...] the analytical basis for the postWashington consensus is extremely narrow and weak, especially from the perspective of anyone not wedded to mainstream economics. Indeed, it is seen as resting upon two fundamental characteristics, which can both be understood as reductionist or the interpretation of economic and other social relations through the narrowest of explanatory prisms. On the one hand, there is the reductionism

to individual behaviour. On the other hand, there is the reductionism to market imperfections based on informational imperfections. Essentially, the capitalist economy is seen as a construct of 'imperfectly informed individuals, imperfectly co-ordinated through the market place (2001: 6).

The simplified framework hence opens the field of orthodox economy to institutional structures while conveniently ignoring any reference to class and power. The instrumentality of the framework thus resides in its perfect tautology: while hermetic to alternative analysis, it simultaneously allows itself to be extremely open to public scrutiny of all kind. Participation, empowerment, social capital, partnership and the like, have indeed all become buzzwords at the core of the neo-institutional framework, as analysed in the following section.

3.3 The New Social Development Narrative

While political institutions have overwhelmingly taken the centre stage of the analysis presented so far, the role assigned to social institutions within the PWC remains to be studied. Non-market and non-state institutions indeed have a pivotal role to play in the new consensus. This enthusiasm for social institutions represents a fundamental change from the Washington Consensus to the new model. This sudden interest in social institutions signals a recognition that neo-liberalism requires specific forms of change within the very fabric of society, or as Stiglitz formulates it 'catalysing change and transforming whole societies' (1998c: 59). As it will become clear in this section, this transition serves two distinct yet complementary objectives: to ensure market efficiency and to secure its long-term sustainability.

The following analysis of Stiglitz and other NIE authors suggests that as it is the case for state institutions, the PWC assigns a strict depoliticised role to the social realm. The apparent paradox of the rise of a technocratic mode of governance meeting the sudden interest in participatory approaches to a more social agenda is then resolved. This is to say that both agendas, while apparently contradictory, are actually complementary means to serve the objective of implementing regulatory neo-liberalism.

Stiglitz's enthusiasm for social institutions is rooted in his emphasis on the existence of information asymmetries. He concludes that social relations are pivotal for information sharing and in so doing, in reducing transaction costs. Here non-market actors are argued to facilitate the

creation of formalized institutions representing plural interests. This is to say that one of civil society's pivotal roles is to disseminate information and in so doing, to minimise transaction costs. In this respect, as explained by Rodan (2006), what distinguishes the PWC from the previous orthodoxy is not only the acknowledgment that some degree of state intervention is necessary to redress market failures, but also that a host of governmental and non-governmental institutions are crucial to market efficiency and sustainability. Stiglitz's dedication to the field of micro-economics allows for the expansion of methodological individualism to the social realm. Here the PWC interest in social relations, participatory schemes, and emphasis on concepts such as social capital, reflects a move by neo-liberals to create a framework which ensures the sustainability of markets at the level of society.

This framework merges two distinct dilemmas that the neo-liberal agenda was facing at the end of the 1990s. As analysed in the previous chapter, the former consensus was entangled with a legitimacy crisis; one emerging from the illiberal actions of state officials in charge of carrying out the reforms and one from the political backlash resulting from the negative effects of the reforms on certain segments of society.

The consolidation of private interests throughout the last decade has been met with growing frustrations within the neo-liberal camp, as observed by Robison: 'the deepening of market reform has appeared in important instances to offer new opportunities for populist oligarchies and political cronyism or the consolidation of various forms of illiberal politics' (2006a: xii). This is what Harrison (2006) refers to as 'neo-liberal clientism', a new political class that emerged out of the advance of markets in countries under reform and expropriated the state itself. Institutions have been emphasised as the remedy to counteract such predatory behaviour by penetrating not only the political realms but the social realms as well. In addition to being viewed as accountability providers, social institutions are presented in the PWC narrative as the key to providing legitimacy – and hence support – to the policy reforms in the long-term.

Furthermore, as argued in the previous chapter, by the end of the 1990s, social and environmental instability resulting from the reforms carried out under the former consensus, gave rise to the formation of increasingly vocal international advocacy groups claiming to be representing the plight of the poor in indebted countries. If the success of

markets is conditional to the degree of stability that a given country offers its potential investors, as argued in the NIE framework, popular support becomes pivotal for the renewed neo-liberal strategy. This obviously gave momentum to the new roles assigned in the PWC to grass-root participation and other overwhelming social emphasis.

Such insights have generated great interest in various 'Third Way' schemes, including microcredit projects, and have also generated an overwhelming enthusiasm for the idea of social capital. The need for market sustainability echoes the growing concern of economists regarding the unpopularity of strict economic reforms. Although the World Bank's social narrative is the particular subject of chapters five and six, it is here relevant to point out that the Bank's renewed emphasis on poverty – with its flagship publication (the World Development Report) dedicated in 2000 to this very topic – is a direct product of this need for neo-liberal economists to gain legitimacy for the reform process. The underlying idea behind the Bank's social agenda suggests that associational linkages facilitate governability through cohesion. This is to say that an expansion of the Bank's focus to social institutions may be quite useful. Indeed, it may prove to prevent a policy reversal by governments coming under fire from opposition but also further advance the reform process.

However, there is a contradiction rooted at the core of NIE thinking which emerges when one considers the clear need to manage popular resistance to reforms if markets are to proceed with their expansion. Here, Rodrik observes that as 'every politician knows, the clamour for controls and restrictions overcome markets when markets produce outcomes that are not endowed with popular legitimacy' (Rodrik 1998, cited in Ahrens 2004: 11). The logic behind this statement – which is key to NIE thinking – calls for a better understanding of the collective response of different segments of society affected by certain policies. Neglecting to assess the emergence of powerful coalitions resisting the reforms in light of their social impacts arguably accounts for part of the failures encountered by the former consensus. If as NIE proponents argue, market reforms benefit the entire society in the long-term, it then becomes imperative to insulate policy decision hubs in order to protect those from popular influences.

The problem with such contradictory logic is the obstinate refusal of the PWC to acknowledge the very political nature of the inequalities that

will undeniably emerge out of the neo-liberal reforms. This is to say that popular pressures in favour of market inhibiting policy capabilities – whose primary aim is to regulate markets such as environmental, labour and social policy as well as to redistribute income and wealth through various forms of fiscal policy (Harmes n.d.: 25) – may be minimised to the benefit of technocrats prioritising market enabling policies. As stated by Carroll, it implies that ‘society can be changed via a concerted process of institutional engineering, largely without political conflict’ (2007: 17).

There is a parallel shift developing along side this narrative advocating a technocratic turn. Indeed the need to insulate political centres from popular demands has curiously been jammed with a seemingly paradoxical narrative advocating a socially inclusive agenda. According to Stiglitz, there is a need to broaden development objectives to include social goals – such as sustainable development, egalitarian development and democratic development (1998a: 1):

We seek increases in living standards – including improved health and education – not just increases in measured GDP. We seek sustainable development, which includes preserving our natural resources and maintaining a healthy environment. We seek equitable development, which ensures that all groups in society enjoy the fruits of development, not just the few at the top. And, we seek democratic development, in which citizens participate in a variety of ways in making the decisions which affect their lives. Knowledge has not kept pace with the proliferation of our goals. We are only beginning to understand the relationship between democratization, inequality, environmental protection, and growth. What we do know holds out the promise of developing complementary strategies that can move us toward all of these objectives (Stiglitz 1998a: 18).

Stiglitz has been questioning trickle down economics – at least in terms of increasing the income of the poorest – a point that has led the economist to insist on broadening development objectives and a participatory agenda. It is here argued that such obvious contradictory objectives within the new consensus are key in legitimising and consolidating the neo-liberal shift. The point here is that these two contradictory agendas – the rational for insulating policy making decisions and also pushing a participatory agenda – may lead to false conclusions on the reality of the PWC. Crucially, and this has been argued by Carroll, the PWC narrative does not necessarily equate to what it does in practice:

[...] the inclusion of notions of participation, democracy and egalitarianism are contradictory elements as they exist within Stiglitz's framework sitting uneasily alongside the anti-pluralist institutional straightjacket that is actually implied by his emphasis upon the 'role of the state' and its relationship to the market. Such institutional 'blueprints', which is still a reasonable term for such agendas despite Stiglitz's discomfort at its use, would seem to rationally entail highly circumscribed conceptions of democracy and participation, where certain institutions are 'out of bounds' to popular political influence because they are not seen as efficient for the market (Carroll 2007: 17).

This straddling of two contradictory agendas is however quite useful in terms of legitimising the new consensus. Here Rodan's (2006) understanding of the conceptualisation of neo-liberalism is helpful. The author argues that neo-liberalism cannot in fact be seen as a strict set of historically fixed policy prescriptions but rather aims to establish a political order that maximises support for market relationships. Such a process, further argues Rodan, necessarily involves attempts to insulate neo-liberal interests from effective contestation and challenge (2006: 200). Viewed in this way, neo-liberalism is argued to be a project that permits or even requires dynamic policy agendas and strategies for its realisation, even if some policy ideals such as economic liberalisation remain constant (Rodan 2006: 200-1).

This idea of a flexible framework to carry out the objective of expanding economic neo-liberalism is key to the PWC. It indeed explains the awkward marriage of both agendas – where technocracy meets a participatory narrative. Crucially, the theory feeding the new agenda can be argued to seek nothing less than shaping social relations, or what Cammack (2004) refers to as a transition from a 'shallow neoliberalism' emphasising a minimalist state to a 'deep neoliberalism'. It seeks to mend the acknowledged flaws of the former consensus by tackling the realms of possible contestations to economic reforms wherever they might arise – whether at the heart of the government or within civil society. In such light, the participatory agenda aims to rally those coalitions of interests amenable to the project and should be viewed, as observed by Carroll, as: 'a political strategy of depoliticisation that attempts to marginalise representative politics' (2007: 6).

Significantly, such endeavour is argued to be a conscious effort to shift power relations between the state, civil society and the market. This political project has found a technocratic narrative to justify intervening

directly into the realm of political society, which is here defined as: ‘[...] an intermediate realm of actors (political parties) and institutions (elections, legislature), mediating, articulating and institutionalizing the relations between the State and civil society’ (Biekart 1999: 58). Key to our study, the World Bank has had a fundamental role to play in framing and implementing policies, which actively seek to redefine political society in countries under reform.

Conclusion

The role of the state has never been the subject of a consensus in any variety of development theory. While there is now the suggestion that a new consensus is emerging in which a wise equilibrium between interventionism and laissez-faire has been reached, the analysis of NIE and Stiglitz’s ideas suggest otherwise. This is to say that the PWC is an attempt to mask a clear political agenda in terms of a techno-managerial narrative. A close analysis of the theoretical roots of the PWC, it is argued, demonstrates that it should by no means be seen as a new development paradigm, but rather as a new method to implement the same objective: securing the neo-liberal advancement of the 1990s and pushing forward the reform process.

This chapter has also pointed out the new players introduced by the new agenda: social institutions. This is about legitimising the reform process and creating a politically stable environment to secure the gains of neo-liberalism in countries under reform. Interestingly, many methods have been suggested to carry out such objective. On the side of legitimacy, it has been suggested by Stiglitz to expand development goals to the social realm and to increase participation; while on the side of accountability, NIE insists on the importance of local participation – in a depoliticise manner that is.

These dual agendas – one pertaining to the technocratic state and the other, to the depoliticised civil society – have so far only been studied in their theoretical settings. The analysis has been restricted to the theoretical roots of the PWC and to an applied framework which introduced the concepts of power and class. This has led to the importance of repositioning the new debate in the changes which neo-liberalism itself is undergoing. The search to consolidate regulatory neo-liberalism has however brought neo-liberals increasingly to meddle in the realm of representative politics.

Such a process brings up the urgency of addressing questions linked to the very future of issues such as national sovereignty, democracy and citizenship. As Robison (2006b) concludes, the Neo-liberal's interest in new forms of social contracts extend beyond the need to address the opposition to reforms. It aims at nothing less than to: 'redefine citizenship in terms of the right to participate in the market and equality as access to the market rather than redistribution of income' (Robison 2006b: 5).

While specifically focusing on the role of the World Bank, the remaining chapters of the thesis seek to investigate how such crucial issues have been planned, carried out and met in countries undergoing Bank advocated reforms. Pivotal to such investigation is to look at how the World Bank has been dealing with the rooted contradictions at the core of the new agenda. Interestingly – and as emphasised by Gill – such contradictions entrenched within the new framework actually suggest that the project might simply be unachievable in practice: 'It is therefore unsustainable politically, not least because different social movements and classes resist the destruction of their livelihood and the intensified discipline of capital that is central to neo-liberal globalization' (Gill 2000).

Notes

¹ North explains that: '[...] the new institutional economics builds on, modifies and extends neo-classical theory to permit it to come to grips and deal with an entire range of issues heretofore beyond its ken' (1995: 17).

² It is interesting that North proposes that the state must impose institutions in comparison to Coase who argued that rational individuals would do this.

³ See for example the work of Hewison, Robison and Rodan (2001); Chaudhry (1994); Jayasuriya (2001, 2003, 2006); and Higgott, and Robison (1985).

⁴ As further argued by Rodan: 'Neoliberalism is a dynamic and at times problematic amalgamation of interests and ideologies' (2006: 1).

⁵ For a review of the debate see Robison (2006b).

⁶ Neo-liberal forms of discipline are institutionalised and bureaucratised, operate both in public and private spheres (state and civil society), they are part of a 'discursive formation of global capital power associated with the interests and forces of the historical bloc of transnational capital (Gill 1995: 8).

4

Politics as Anti-Politics

Governments must do well those things that governments must do.
(World Bank 1998a: 83)

Introduction

As argued in the previous chapter, the post-Washington Consensus (PWC) represents a political endeavour which aims to restructure the political arena of reforming countries. The remaining chapters of this study examine the specific role of the World Bank in carrying out the PWC.

Under James D. Wolfensohn, the Bank proclaimed that the new century would be marked by a new development paradigm which would replace the old and *dépassé* Structural Adjustment Programs (SAPs) and re-focus the objectives of international aid onto poverty reduction. However, and as it was the case for the PWC itself, the Bank's new model has been the subject of much debate, definition and confusion in the recent years. This is manifest in the dual objectives of the new aid allocation mechanisms which are characterised by on the one hand, a stricter conditionality model and on the other hand, a new social narrative loosely attached to the Millennium Development Goals (MDGs).

In this thesis, the Bank's own contribution to the new international aid architecture is referred to as the 'Integrated Development Model' (IDM). This allows for the disentanglement of the Bank's specific contribution from the other actors and initiatives within the new aid architecture which are freely associated to the overall PWC narrative and practices. Furthermore, the IDM is here defined as comprising both the Bank's narrative and its new aid allocation mechanisms. Such a term thus takes into account the existing contradictions within the Bank's new aid paradigm wherein a social development narrative often clashes with geo-

political realities and pro-market objectives. The IDM is thus an important tool to differentiate the Bank's narrative from what is actually being carried out in countries under reform. As such, the aid reform is on the one hand, far more than a mere discursive shift at the Bank and on the other hand, cannot be assessed solely by its aid allocation mechanisms. In other words, the IDM is both a theory – which is primarily rooted in NIE; a social narrative seeking legitimacy both for the Bank itself and for its policies; and finally, a method to carry out the ideas of the PWC as defined in the previous chapter.

While the IDM is the subject of the rest of this contribution, this specific chapter addresses the changes the model brought forth in terms of aid allocation mechanisms. Key to the argument in the last chapter was the idea that the PWC represents an effort to redefine the political relationship between the state and donors, between the state and civil society and finally, within the state architecture itself. In this chapter, the changing role of the state is analysed in light of the new aid allocation mechanisms of the IDM. It will be argued that the transformation of conditionality brought forth by the IDM serves the objective of consolidating the 'self-restraining state'. PRS, CAS and CPIA mechanisms therefore represent a consolidated attempt to impose a revised neo-liberal framework which is better served by the self-restraining state.

Such a thesis entails a close study of the transformation of the conditionality model and how it relates to the overall attempt to redefine political spaces in countries under reform. The argument is divided into three sections. In the first part, the conditionality crisis is studied in order to tease out the pressures that compelled the Bank to adopt new aid allocation mechanisms. The actual aid mechanisms of the IDM are in turn analysed – the Comprehensive Development Framework (CDF), the Poverty Reduction Strategies (PRS), the Country Assistance Strategy (CAS) and the Country Policy and Institutional Assessment (CPIA). In the third part of this chapter, the political significance of the governance agenda embedded at the core of the aid allocation mechanisms is analysed. Such steps will allow for the analysis of the Bank's contribution to enforce a system of neo-liberalism with all its implications for the configuration and exercise of power.

4.1 Re-Thinking Conditionality: the World Bank and the New Aid Allocation Mechanisms

As early as the 1980s – and throughout the 1990s – the Bank was forced to address the escalating economic and political problems faced by countries even where structural adjustment were carried out. It did so by multiplying its programs and conditionalities, gradually entangling itself with the complexities linked to aid allocation. This process escalated to such a point that a single loan could be subjected to more than one hundred conditionalities¹ (Harrigan, Mosley and Toye 1995: 43). As argued in chapter two of the thesis, this also reflected the organisational culture of the Bank. In this respect, Boas and McNeill argue that: ‘the problem was that once SAPs were negotiated, it was very tempting for each different division of the World Bank to add additional conditionalities that reflected their internal priorities’ (2003: 67). Between 1980 and 1989, 241 structural adjustment programmes were imposed on 36 African countries (Harrison 2004: 6). Beyond such an ‘overload problem’, to quote Boas and McNeill (2003: 67), lays the fact that according to the Bank itself, only 53% of conditionalities would actually be respected (World Bank 1998a: 52). The 1999 *Annual Review of Development Effectiveness* bluntly observes that fewer than half of the Bank’s projects in the 1998-99 fiscal year had the potential to achieve sustainable results, a performance that would inscribe itself in the statistical trend of the entire decade (OED 1999: 17).

What is interesting to note is that during the SAP period, the Bank found great allies in the technocrats of many reforming countries. Portrayed as neutral policy-makers and officials who were unencumbered by vested interests, technocrats often backed the Bank against predatory politicians and reformists. However, the SAP experience clearly showed the Bank that *politics* – and therefore predatory behaviour coupled with ignorance of what the institution perceives as the ‘right economics’ – often prevailed.

An insightful example is the Nigerian case where the attempts to implement policy reform supported by local technocrats and the Bank were constantly derailed by the government². The Bank observes that the overall popular distrust of IFIs led to the Nigerian government’s strategy of denying that it was adopting an IMF-type program (2000: 666). The key point is that in a technocratic world ‘there is little room for political parties or *elitist* states’ (Bryld 2000: 703). Political issues are addressed in

terms of efficiency through the use of economic techniques. As pointed out by Bryld, the technocratic approach files sensitive political issues within macro-economic boxes: 'Hence, politics is not seen as a part of the state' (Bryld 2000: 703).

It is clear that the poor scorecard for conditionality performance by the end of the 1990s led the Bank to search for new strategies to insulate its technocratic allies of political interference within countries under reform. In other words, it needed to rethink conditionality in order to ensure that local governments would have the incentives to actually implement the advocated reforms.

The Bank's IDM was the answer to this conundrum. The introduction of the IDM's key aid allocation mechanisms – the PRS but also the Country Assistance Strategy (CAS) and the Country Policy and Institutional Assessment (CPIA) – were presented in terms of enhancing 'aid effectiveness', partly by rethinking conditionality. Such a process has required re-thinking the relationship between the major donors themselves and between donors and local governments. In other words, it has called for a 'new partnership' where donors would strive for aid coherence and promote reform ownership.

The idea of 'partnership' strongly emerged in the Development Assistance Committee of the Organisation for Economic Co-operation and Development (DAC-OECD) 1996 report *Shaping the 21st Century: The Contribution of Development Co-operation*. The Report sets out to evaluate the success of the last fifty years of development assistance and to identify strategies for the next quarter of century. In so doing, the Report argues that the failure of structural adjustment was relative as some countries had in fact, benefited from it and managed to 'develop' themselves through international aid. *Shaping the 21st Century* concluded that the overwhelming causes of aid failure were civil wars and bad public management (DAC-OECD 1996: 1).

In order to address this governance predicament the DAC proposes a global development partnership which would rest upon an open dialogue (DAC-OECD 1996: 9). The new partnership would seek to harmonise aid practices by forging strategic alliances between bilateral donors in order to reach a consensus on the appropriate political changes and the capacity building requirements of a given country. All donors would therefore link their respective management plans to the national strategy of the developing country for addressing governance and political prob-

lems. Crucially, aid programmes would be based on the development plans proposed by the beneficiary government. In fact, the report deplores that conditionality has too often been perceived as an instrument for donors to impose their own objectives on recalcitrant governments. Conditionalities would therefore become 'flexible' rather than 'coercive' and they would be a mere indicator of a partnership towards the realisation of agreed development objectives (OED 1999: 26). Endorsed by all the G-7 members, the United Nations, the IMF, the World Bank and 77 developing nations, the 'new Partnership' agenda has been key in framing the narrative for the promotion of new aid allocation mechanisms³.

The challenge to the old conditionality model was further deepened via a key World Bank publication. *Assessing Aid: What Works, What Doesn't, and Why* (World Bank 1998) – along the lines of Burnside and Dollar's publication on the same theme (1997) – strongly positioned the idea of 'aid selectivity' and in so doing, gave donors a virtual free pass to openly enter the political arena of countries under reform. The Report argues that in order to improve life quality in poor countries, it has become imperative to rethink the way development aid is managed. *Assessing Aid* gives centre stage to institutions as a determinant of aid effectiveness (World Bank 1998a: 13). Divergence in economic performance of countries receiving financial assistance resulted in a 'selectivity' argument, suggesting that development assistance is more about supporting good institutions and policies than providing capital (World Bank 1998a: 13). Crucially, the Report argues that there is no relation between financial development assistance and economic growth, unless a differentiation is made between countries exercising good governance and those who do not (1998a: 37). *Assessing Aid* concludes that: 'Foreign aid in itself is neutral with respect to development, for its positive or negative effects depend on government policies' (World Bank 1998a: 37). This is to say that when two countries have the same poverty level, financial aid should be allocated with 'strategic selectivity' – i.e. offered to the country exercising good governance. What is significant here is how the narrative suggests that governance would be the linchpin of development effectiveness. With such logic in mind, what *Assessing Aid* was in fact about was that financial aid would be wasted on governments not dedicated to address what is presented as the causes of their own underdevelopment⁴.

While over time the concept of governance emphasised reforms focussing on public sector management, accountability, the legal framework for development, information and transparency, the actual recipe to implement such reforms had remained quite blurry until the late 1990s.

By the late 1990s, the Bank was clearly creating a new framework which aimed to establish governance as the key determinant for donors to allocate financial aid. The challenge for the Bank was however to find concrete methods by which to effectively persuade borrowing governments to implement reforms they wouldn't have undertaken otherwise. The idea of governance as the linchpin of aid effectiveness was a key element in the transformation of the aid architecture, notably through the introduction of new aid allocation mechanisms, such as the PRS. It also gave way to changes within other aid allocation mechanisms such as the CAS and the influential CPIA.

Since the turn of the Century, PRS are officially the basis for all foreign aid to poor countries. While the strategies have been presented as being centred on poverty reduction and participation, any access to the IMF's Poverty Reduction and Growth Facility (PRGF) and the Bank's Poverty Reduction Strategy Credits⁵ (PRSCs) is contingent upon a country completing a PRSP⁶. Furthermore, any access to debt relief under the Enhanced Heavily Indebted Poor Countries Initiative⁷ (HIPC II) is also conditional to the production of a PRSP. As observed in the following section, there appears to exist a strong contradiction between the Bank's narrative centred on participation and ownership and the pre-eminence of the governance imperative of the new aid allocation mechanisms.

The centrality of CPIA within the IDM gives a first insight into the clashes between the reform's participatory narrative and the governance agenda being promoted. CPIA are an annual scorecard which assess the quality of a borrowing country's policy and institutional framework for International Development Association (IDA)⁸. Crucial to the argument is that the Bank defines 'quality' in terms of: 'how conducive that framework is to fostering poverty reduction, sustainable growth, and the effective use of development assistance' (World Bank 2006a: 1). If the Bank's IDA has been assessing countries since the late 1970s, the performance rating framework has been substantially revised in 1998⁹ to include a given set of indicators which cover four clusters: economic management;

structural policies; policies for social inclusion and; public sector management and institutions¹⁰.

While PRSPs are defined as the ‘full-fledged strategic document of the country’, it is CPIA criteria which in practice overwhelmingly influence the content of strategies¹¹. Prepared by the Bank’s country teams and then subjected to a process of internal review, CPIA are indeed crucial in determining a low-income country’s allocation of grants and low-interest loans. As stated by *Bretton Woods Project*, a think tank usually critical of neo-liberal approaches: ‘It would appear that the CPIA ratings set the framework for the writing of the PRSP and not the governments’ (2006). Officially, it is via the CPIA that the Bank allocates loan and grant resources to borrowers and determines the policy direction of new operations, and establish debt relief targets¹². Furthermore, the level of grants and loans allocated to countries will also be influenced by an overall ‘governance’ factor, which derives notably from the five criteria in the CPIA’s governance cluster¹³. The country’s overall rating is then multiplied by this factor, resulting in an increase (or decrease) of the overall Country Performance Rating, depending on the degree to which the country’s governance rating is strong – or weak.

What is pivotal to note is that a country’s policy and institutional performance is the dominant determinant in the allocation of IDA’s scarce resources amongst the organisation’s 80 eligible borrowers. The Bank indeed states that twice as high a score in relation to policy and institutional performance results in the country receiving four times the allocation (World Bank 2008e: 3).

What is further enlightening about the importance of the governance factor within the IDM is the fact that the country performance rating also has a pivotal influence on Country Assistance Strategies (CAS). Key to the IDM, CAS are the Bank’s main instrument to indicate the level and composition of assistance to be provided to a given country. While a CAS is in officially argued to take the country’s PRSP as ‘its starting point’ – and to be developed in consultation with civil society organisations, development partners and other stakeholders – it is in practice firmly based on a given country’s performance rating¹⁴:

As the PRSP becomes a full-fledged strategic document of the country, the CAS becomes in essence IDA’s business plan in support of the country’s PRS, selectively supporting country poverty reduction goals on which IDA agrees and is best placed to make a contribution. The selection of the

IDA-supported program from that of the PRSP will increasingly be influenced by IDA's performance assessment in two ways. First, the implementation of the PRSP's policies will be expected to be reflected in the IDA CPRs, and thereby in the base-case IDA allocation envelope. Second, as a diagnostic tool, the CPIA can indicate areas where attention needs to be focused and thereby influence the focus of the IDA-supported program (World Bank 2008f: 6).

In a brief on CPIA, Nancy Alexander, Director of the international advocacy NGO *Citizens' Network on Essential Services*¹⁵, observes that the Bank is selective about what PRSP-endorsed policies are integrated into its CAS and therefore, the Bank may have different priorities than a government has put forth in a PRSP (Alexander 2004: 20). The organisation *Bretton Woods Project* further concludes that while in theory policy targets and actions defined in the PRSP should be the basis of IMF and Bank conditions, PRSPs seem 'to build on loan agreements rather than vice versa. [...] Loan negotiations are still conducted behind closed doors within Ministries of Finance and Central Banks, and lack disclosure, public involvement and oversight' (Bretton Woods Project 2003).

In practice, CPIA performance ratings remain key in determining the CAS triggers by which governments will be evaluated. What is critical here, is that if a government was to not comply with its CAS it would risk of losing access to loans, and in some cases: 'the World Bank may terminate assistance to an entire sector or country and, with the IMF, suspend debt relief' (Alexander 2004: 20).

There exists a clear consensus amongst bilateral and multilateral donors in favour of an aid system that allocates funds toward the countries with a relatively good institutional environment. However, political and economic interests of donors are still influencing the aid flow. Hout's (2007) findings suggest that although actual lending commitments by the Bank's soft-loan window IDA are not keeping pace exactly with the outcomes of the aid allocation mechanism: 'it [is] clear that actual loans and grants still benefit mostly those countries at the upper end of the distribution' (2007: 48). The OED's *2003 Annual Review of Development Effectiveness* clearly states that in the absence of a 'relatively good policy environment'¹⁶, donors should limit or postpone lending until there are 'clear signals that reform is under way' (OED 2004: x). For the fiscal years 2003-2005, the Bank established resource allocations that were nearly five times higher for the governments in the top-performing quintile

than for those in the poorest-performing quintile (Alexander 2004: 17).

It is important to note here that there still exist a gap between the narrative over the so-called consensus on selectivity and the aid actual envelope assigned to reforming countries¹⁷. Easterly (2002) illustrates this contradiction between narrative and practice by observing that well after its new emphasis on the imperative of selectivity, the Bank announced new adjustment loans to President Daniel Arap Moi's government in Kenya: 'despite 22 years of economic mismanagement during 19 previous adjustment loans to this same government' (Easterly 2002: 36). Hout further observes existing contradictions between CPIA ratings and actual aid allocation (2007: 47). While the 'ex post conditionality' – which implies that aid allocation would be based on past performance – is firmly entrenched within the IDM's overall narrative, evidence does demonstrate that some bias based on the geo-strategic and economic interests of donors continue to influence the aid envelope.

These discrepancies however, do not suggest that the governance factor is not given a very high weight relative to other criteria. Indeed in recent years, the application of a governance factor has reduced the resource allocation to some countries by as much as 50% (Alexander 2004: 18). The Bank's own record between 1999 and 2003, does suggest a higher concentration of aid toward countries with a good – or improving – policy environment (OED 2004: 13). During this period, the Bank's lending was concentrated in countries that had 'relatively good' policy environments, with 89.4 per cent of Bank lending going to countries with a CPIA ranking of 3.0 or better in 1999 and 96.6 per cent going to such countries in 2003. Crucially, the ongoing transformation of the conditionality model towards a greater emphasis on governance enables donors to select recipients on the basis of certain eligibility criteria (Hout 2007: 23), a fact that undeniably influences the internalisation process of a specific policy framework in reforming countries, as argued in the following section.

4.2 Flirting with Politics: the Bank and Governance

The argument by which the IDM is embedded in the old consensus has already been made in the first chapters of this thesis. Not surprisingly, the performance-based criteria of aid allocation are primarily based on orthodox economics. However the new framework brings forth a novelty in the nature of conditionality itself. It is here argued that PRS, CAS

and CPIA mechanisms represent a consolidated attempt to impose a revised neo-liberal framework. This is what Campbell (2005) refers to as strategies to ‘anchor’¹⁸ institutional reforms.

There is indeed an attempt under the new conditionality model, to circumscribe aid to borrowing states which are deemed truly committed to a pre-defined governance framework. Recipient governments are expected to embrace good governance reforms in order to demonstrate their commitment to ‘efficiency’. While the idea that such practice should be regarded as ‘ownership’ remains questionable, the process certainly translates the Bank’s clear attempt to have borrowing governments *internalise* a governance framework.

Key to the IDM, the concept of ownership implies that donors would be willing to stop imposing the old paternalistic conditionality model on reforming countries. It also implies however, that recipient countries are expected to take ‘responsibility’ for their own development. The IDM was indeed introduced as a framework to allow governments to be ‘in the drivers seat’ (Wolfensohn 1999a: 9). The case for reforming countries – not donors – to be the driving force of development initiative is readily made. The problem however arises when ownership is solely defined in terms of commitment to a set of reforms which happen to be the condition of any upcoming financial aid allocation. As observed by Robert Chase, Senior Social Development Economist in the World Bank’s Social Development Department: ‘How much do we really believe in the participatory process in the face of a country going bankrupt?’ (Interviewed October 10, 2006) Chase further admits that while everybody is on board the participatory process, it is the countries need for disbursement which will ultimately prevail.

There thus appears to be a clear dichotomy between ‘ownership’, defined as a bottom-up initiative, and ‘ownership’ defined as a *commitment* to carryout prescribed policies. This point relates to what Gore refers to as the ‘Double bind’ where officials preparing the PRSP cannot ‘win’ no matter what actions they might take¹⁹ (2004: 277):

The commitment of the institutions which act as gatekeepers in access to official financial inflows to certain sound policy reforms leaves the officials preparing the PRSPs in a somewhat invidious position. First, they face an injunction to reduce poverty. Second, they face an injunction to maintain a tight macroeconomic policy and deepen structural reforms and liberalization. Third, they face an injunction to own their national policies. Fourth,

they know that the flip side of national Governments being responsible for poverty reduction and owning the policies is that if they fail it will be their fault. Finally, they know that they are highly dependent on both aid and debt relief and that from their own past experience and other country examples any interruptions to these real and virtual financial flows will certainly lead to worsening poverty and also possibly to political instability (Gore 2004: 281).

Gore's analysis resonates in the Bank's early IDM documentation. As the Bank was starting to ground the foundations of the concept of 'ownership', which is now one of the main pillars of the IDM, the Bank proposed four criteria to evaluate the level of government ownership (World Bank 1998b: 8):

1. The focus of the initiative for the policy or the project must be in the government.
2. The key policy makers responsible for implementation must be *convinced intellectually* that the goals to be pursued are the right ones²⁰.
3. There must be evidence that the government is building consensus among the affected stakeholders and can rely on their support and cooperation.
4. There must be evidence of public support from the top political and civil leadership.

In light of such criteria however, it appears that governments should not only come up themselves with the policies to follow, they should also be 'convinced intellectually' (World Bank 1998b: 8) that the path ahead is the right one. Obviously, when combined with the idea of aid selectivity, one must wonder how a government faced with the burden of debt and seeking debt relief might try to demonstrate 'ownership' of policies not advocated by the major donors. In fact, the choice of borrowing governments becomes quite clear: either to implement the required governance reforms and obtain financial assistance or defy donors and get 'ideological assistance' (World Bank 1998a: 84). The Bank indeed states that: 'The role of aid in difficult environments is to educate the next generation of leaders, disseminate information about policy, and stimulate public debate where possible' (1998a: 48).

The case against selectivity is made in two distinct arguments. Not only is there a growing body of empirical evidence contradicting the suggestion that aid would be only efficient in a good governance environ-

ment, there is also a greater debate over how exactly governance would be conducive to poverty reduction.

Well beyond the claims made in *Assessing Aid*, the ‘science’ of selectivity has been firmly integrated in Bank’s narrative, notably on ‘Low Income Countries Under Stress’ (World Bank 2002b). It has further been reinforced over the years, notably with Burnside and Dollar’s work on the lack of correlation between aid and economic growth (1997; 2000), as well as by bilateral donors and, more noticeably, by the Bush administration through the *Millennium Challenge Account*. However, the rationale for selectivity has been the subject of numerous criticisms, ranging from its flawed methodology to its over simplistic approach to ‘development’ – strictly defined in terms of economic growth²¹. In direct contradiction to the Bank’s findings, multiple independent researches have concluded that aid could in fact be effective, irrespectively of the policy environment, not only in terms of poverty reduction but in terms of growth as well. For example, a EURODAD study (2002) concludes that: the impact of aid on growth is positive irrespectively of the policy environment; aid might not be directly effective in terms of growth, but in terms of poverty reduction; and finally, that even in post-conflict or war-affected countries, large amounts of aid can play a critical role in ending conflicts²².

More importantly however, there does not exist – contrary to the mainstream argument – a consensus amongst the aid community on how the so-called ‘good policies’ will bring forth poverty reduction, if at all. In a brief on CPIA, the *Bretton Woods Project* argues that if ‘there is consensus that the mechanism is broken’, the ‘debate over the content of the conditions continues’ (Powell 2004). Indeed, if there is a consensus on the necessity to implement reforms ‘conductive of pro-poor growth and widespread poverty reduction’ (World Bank 2004b: viii), the theoretical roots of the Bank’s prescribed reforms certainly remain highly contentious. They imply a debate on the role of the state, and the policies through which the state defines and promotes equity and equality (Inter Pares 2001: 13).

The attempt to redefine the state in countries under reform is not new. Throughout the 1990s, neo-institutional ideas strongly positioned themselves at the heart of the Bank’s policies, overwhelmingly via the concept of governance. The malleability of the concept of governance conveniently gave the Bank the opportunity to address both the institu-

tional requirements neglected by the Washington Consensus and the unforeseen disruptions created by the retreating state.

The concept first appeared in the Bank's main publications in 1989 in the World Development Report *Sub-Saharan Africa: from Crisis to Sustainable Growth*, in which the Bank described Africa's state of affairs as a 'crisis of governance' (World Bank 1989: 5). It was however in the discussion paper *Managing Development: The Governance Dimension* (1991), that governance became the focus of a greater discussion within the Bank. The concept was then defined as: 'the manner in which power is exercised in the management of countries economic and social resources for development' (World Bank 1991: i).

Although the Bank's definition of the concept has been in constant evolution throughout the 1990s²³, the institution has remained adamant that it is solely in the name of efficiency that it promotes governance. This 'efficiency' argument at the heart of the governance agenda has given the Bank an opening into the political scene of countries under reform. It indeed solved the Bank's main conundrum of the 1990s: how to tackle the institutional predicament of borrowing countries without overstepping its legal mandate. In fact, as soon as it started expressing interest in the concept of governance, the Bank began struggling to explain how such approach was not conflicting with its Articles of agreement, which clearly states the institution's apolitical mandate. As analysed in chapter two of this contribution, such apolitical restriction are said to protect the Bank's: 'reputation for technical excellence and objectivity and its status as an international institution that is guided solely by its concern for economic development and not by any political agenda of its own' (1991: 16).

It is in *The World Bank in a Changing World* that Ibrahim Shihata (1991), the General Counsel and senior vice president of the World Bank from 1983 to 1998, addressed the Bank's stance on governance in relation to the institution's legal mandate:

[...] the concept of governance in the sense of the overall management of a country's resources cannot be irrelevant to an international financial institution which at present not only finances projects but also is deeply involved in the process of economic reform carried out by its borrowing members. Clearly, the concern here is not with the exercise of state powers in the broad sense but specifically with the appropriate management of the public sector and the creation of an enabling environment for the private

sector. It is a concern for rules which are actually applied and institutions which ensure the appropriate application of these rules, to the extent that such rules and institutions are required for the economic development of the country and in particular for the sound management of its resources²⁴ (Shihata 1991).

The Bank does have a strong case for arguing that institutions are essential for sustainable development. There is no doubt that the organisation had to address the questionable scorecard of aid efficiency. From local corruption to predatory states, donors are indeed faced with a significant governance predicament. In his introduction to Gilbert and Vines's book *The World Bank: Structure and Policies* (2000), Stiglitz addresses this quandary faced by the Bank:

Earlier discussions of corruption would have been off limits for the World Bank, which was generally proscribed from engaging in political matters not directly related to development. But the new thinking argues that there is no bright line of demarcation: corruption, though a matter of politics, is at the heart of underdevelopment. *But once that line has been broached, the limits of what should be in the Bank's purview are no longer clear*²⁵ (Stiglitz 2000: 3).

Today, it is widely understood that the Bank did in fact, actively engage in the political affairs of its country clients. As Caufield (1997: 193) bluntly observes, suggesting that the Bank is apolitical is both inaccurate and implausible. It is indeed important to note that in contradiction to Ibrahim Shihata's recommendations, the IDM gave the Bank's a point of entry to tackle issues directly linked to the exercise of state power. While the concept of governance answers many definitions, the Bank has chosen the angle of efficiency in administrative and political affairs as a corner stone of its governance agenda²⁶. As argued by Campbell (2000a) even when taken in the Bank's narrow definition²⁷ – as an ensemble of prescriptions on the efficient management of a country's administrative and political affairs – the concept remains nonetheless ambiguous for at least two reasons: first, these sets of prescriptions suggest that there exists a consensus on the procedures of good management; and secondly, in spite of the use of such an administrative language presented as neutral, the notion of governance: 'entail a particular concept of the state, of its role, of its desirable evolution, of state-market relations, of the exercise of power and of a particular political project' (Campbell 2000a: 3). This leads Campbell to further conclude that the notion of governance may be shown to be 'eminently political' (2000a: 3).

In fact – and in the line of Campbell’s work – key theorists in the field of development have recently argued that the Bank is directly involved in attempts to reorder power via the governance agenda. By focussing on issues of power and conflict as drivers of change, such key authors have provided important analytical insights, which as argued in this last section, are key in analysing the IDM’s new allocation mechanisms²⁸.

4.3 Building the Self-Restraining State

Armed with NIE theory and with new aid allocation mechanisms, the Bank of the turn of the century was able to construct a strategy that enabled it to restructure the political context of indebted countries while claiming that such a process was apolitical.

In this final section, it is argued that the new aid allocation framework promotes reforms that are necessary to consolidate the ‘self-restraining state’. Such state overwhelmingly emphasises a ‘horizontal’ rather than a ‘vertical’ form of accountability. Horizontal accountability stresses an equilibrium between government organs as the central tool of democratic mechanisms, while the vertical form emphasises citizens’ control over the definition of policies and decision process, via the legislative branch (Campbell 2005: 36). The consolidation of the self-restraining state, which is closely linked to Gill’s notion of disciplinary neo-liberalism (2000), is done by narrowing and shifting the political spaces in countries under reform, both between the state powers and between the state and civil society.

While the case of civil society is studied in the following chapter, the remaining section provides an analysis of the new restraints mechanisms designed to re-distribute the political spaces within the architecture of the state.

What clearly emerges from the foundations of the governance imperative is an agenda which seeks to address political regimes, separation of powers and mechanisms of restraints in countries under reform. As underlined by Robison (2006b) the neo-liberal interest in institutions is about securing the primacy of markets and property rights in constitutional arrangements to insulate technocrats from the uncertainties of representative politics. In other words, it is about ‘replacing politics with governance’ (Robison 2006b: 5).

It is in the 1997 World Development Report *The State in a Changing*

World that the Bank proposed a framework to address the underlying institutional predicament of reforming countries. Firmly grounded within NIE rationales, the ground breaking 1997 WDR laid the foundations of the IDM at the Bank; stating the institution's interest in revisiting the 'basic questions about government: what its role should be, what it can and how best to do it' (World Bank 1997: 1). It is no coincidence that such questions which have been central to Stiglitz's work happen to materialise themselves in the World Bank Report. Not surprisingly, *The State in a Changing World* indeed sets out to answer these questions the same way Stiglitz its Chief Economist at the time did. In the Report, the Bank concludes that an effective state is central to development: 'A clearer understanding of the institutions and norms embedded in markets shows the folly of thinking that development strategy is a matter of choosing between state and the market' (1997: 38). It therefore proposes a new partnership which would translate the 'symbiosis nature of the state and market relationship', a partnership where 'the state is a facilitator rather than as director' (World Bank 1997: 18).

What is pivotal to note at this point is that – in perfect synchronism with NIE foundations – the Bank of the 1990s was clearly creating a narrative to justify a direct intervention in the political conditions by which reforms were to be implemented. As stated in the *Sourcebook for Poverty Reduction Strategies* – a compilation of chapters that details the Bank's views on the PRS and aims to assist countries in developing and strengthening their strategies – the term Governance now refers not only 'to the exercise of power through a country's economic, social, and political institutions', it encompasses everything from 'organizational rules and routines, formal laws, and informal norms that together shape the incentives of public policymakers, overseers, and providers of public services'²⁹ (Girishankar et al. n.d.: 271).

Moreover, the political card attached to the governance imperative is further exposed by the Bank's eagerness to map the actual incentives for a state to embrace the reforms. In fact, the Bank became specifically interested in what incentives would overcome existing 'deep distributional conflicts and constraints embedded in state institutions' (World Bank 1997: 13). In *The State in a Changing World*, the Bank thus eagerly explored the mechanisms of the regulatory state:

Typically, changes in macroeconomic policy-dealing with exchange rates, fiscal policy, and trade policy-have come fastest. These reforms have po-

litical implications but do not require the overhaul of institutions. They can be undertaken quickly, often through decree, by a small group of competent technocrats. All it takes is the political decision to make the change.

But other state reforms, dealing with regulation, social services, finance, infrastructure, and public works, cannot be accomplished so rapidly because they involve changing institutional structures established for different purposes, to fit different rules of the game. This kind of institutional reform involves wrenching changes in the way government agencies think and act, and often a complete over-haul of long-established systems of patronage and corruption. But such change is absolutely essential if the capability of the state is ever to improve (World Bank 1997: 13).

In this perspective, the 'governance' imperative embedded in the IDM clearly sets out to transcend the Washington Consensus traditional policy package to embark on the very political terrain of asking what kind of institutional policies would insure the long-term sustainability of the reforms. The IDM's emphasised interest in the long-term sustainability of the reform gives much weight to Gill's argument that the World Bank plays a central role in promoting new constitutionalism. Gill further argues that: 'the crucial strategic significance of new constitutionalism is how it seeks to provide political anchorage for the power of capital in the long term' (2000).

This technocratic approach to governance depoliticizes social issues while reintroducing new norms that are restrictively redefining social and economical rights. The central aim of the reforms is to 'protect' the state from social pressures so that technocrats may be free to take decisions that are presented as neutral. As argued by the United Nations Research Institute for Social Development (UNRISD):

There is a growing trend to create autonomous public authorities that will check the discretionary powers of governments in key areas of policy making. One set of these institutions includes central banks, finance and trade ministries, tax administration offices, and executive agencies in service delivery. A second set includes independent courts, electoral bodies and ombudsmen. Although they share some characteristics in the promotion of horizontal forms of accountability, the two sets of institutions are different. The first group may make policies that impact differently on social groups and individuals, while the second group is more likely to place constraints on behavior than to allocate resources or opportunities. In other

words, there are often hard choices to be made in the areas where new independent authorities are gaining influence (UNRISD 2000: 2).

What is rather concerning about this particular type of state is the explicit intention to identify possible veto-gates and then proceed to isolate such specific areas from public interference. This endeavour is clearly rooted in the new aid allocation mechanisms, as underlined in the *PRS Sourcebook*:

To bring about institutional change, government decision makers must be able to ensure the support and cooperation of other parts of government, which are critical to approving and implementing the reform project—for example, the legislature, bureaucracy, and judiciary. Assessing the strength of opposition to reform is important. It entails identifying the critical ‘veto gates’ or institutional junctures, at which particular actors can block the government’s reform initiative. Who within the government needs to approve the proposed reform for its enactment? Who might be opposed to the reform project and why? What change in the design of the reform might win their support? Which groups outside government are known to be opposed to the reform? (Girishankar et al. n.d.: 294)

Moreover, in her analysis of the Bank’s *Tool Kit: Commitment to Reform Diagnostic*, Campbell (2002) demonstrates how the institution, under its role as a ‘Knowledge Center’ enters the political arena. She highlights that under such appellation, the Bank offers advises to assess the political desirability of proposed reforms, the political feasibility (including opposition to this project or to broader reforms inside or outside of the government), and the sustainability of reform, including potential changes in key stakeholders³⁰ (Campbell 2002: 27). The *PRS Sourcebook* further underlines the need to examine the main obstacles to reform and how they can be overcome, which are: ‘the distributional characteristics of reform (the likely winners and losers), the political strength of key groups (particularly those that will lose out), and the design of existing state institutions’ (Girishankar et al. n.d.: 144). Key to the NIE framework, these obstacles emphasise the need for a ‘strong state’ – i.e. ‘to be insulated from societal forces’ (Doner 1994: 400). Indeed Doner argues that: ‘insulation permits officials to formulate policy and to mediate the influence of foreign capital independently of powerful distributional coalitions’ (1994: 400).

What is crucial to emphasise at this stage is that there exist two formal mechanisms of restraint promoted by the IDM which seek to impede the

reversal of reform and also to limit democratic influence in the political economy. These mechanisms are a strong independent judiciary and the separation of state powers (World Bank 1997). These mechanisms represent an attempt to transform the architecture of the state, which defines: 'the relationships among the executive, legislature, and judiciary, and the extent to which they are able to scrutinize each other's behavior' (Girishankar et al. n.d.: 271).

Although the pressure exercised by donors for recipient governments to change their laws was present throughout the 1990s, the IDM is striking for the depth and systematic changes it advocated in terms of reforms in the legal sector. As argued by *The Economist*, the sector has become the 'motherhood and apple pie of development economics' (2008). In fact, it is estimated that almost half of the Bank's total lending of \$24 billion in 2006 would have had some rule-of-law component (Economist 2008).

The overwhelming importance assigned to a strong legal framework within the IDM is clearly rooted in NIE. The emphasis on the rule of law translates the entrenched belief within NIE that the protection of propriety rights, national or international, is key to minimising transaction costs – i.e. the cost of arranging, monitoring and enforcing contracts (North 1995). This is to say that the rule of law is essential in fostering private investment and encompasses everything from writing or revising commercial codes, bankruptcy status and company laws through overhauling regulatory agencies and teaching justice ministry officials how to draft legislation that fosters private investments (Messik 1999: 218). According to the Bank the rule of law is: 'a key element of predictability and stability where business risks may be rationally assessed, transaction costs lowered, and governmental arbitrariness reduced' (World Bank 1991: iii). The Bank's expertise in legal and judiciary reform is overwhelming, its recommendation ranging from the selection and promotion of judges, developing procedures for litigation resolution and teaching justice ministry officials how to draft legislation. As further argued in the *PRS Sourcebook*:

Good governance is epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law (Girishankar et al. n.d.: 271).

Such emphasis on building a legal framework specifically aimed at protecting property rights, is a hallmark of the self-restraining state. The idea is to clarify and simplify laws while simultaneously increasing the risk and the weight of possible sanctions in case of government misconduct. In this respect, the CPIA mechanisms are quite straightforward, judging states on ‘the extent to which private economic activity is facilitated by an effective legal system and rule-based governance structure in which property and contract rights are reliably respected and enforced’ (World Bank 2006a: 32).

This rests on the premise that investors would constitute ‘a privileged stratum in capitalist societies – since the process of economic growth depends on the need to maintain investor confidence and thus governments are driven to sustain their credibility in the eyes of investors by attempting to provide an appropriate business climate’ (Gill 2000). Public institutions indeed have to exercise discipline in order to prevent any interference with property rights and capital mobility (Gill 1995: 8).

In its multi-country analysis of the mining sector in Africa, the conclusions of the *Groupe de Recherche sur les activités minières en Afrique*³¹ are illustrative of the key role the World Bank has been playing in redefining the legal settings in countries under reform. In fact, the research concludes that the reform measure entailed a process of redefining the role of the state ‘that is so profound that it has no historical precedent’ (Campbell 2004: 7). This is to say that legal reforms advocated by the Bank have been key in shaping the role of local states, the nature and objectives of state interventions, and the determination of to what end, under whose control, and for whose benefit extractive industries operate. While the study clearly demonstrates that the regulatory and legal reforms promoted by the Bank in the mining sector have undoubtedly contributed to a more favourable environment for foreign investment, the study also concludes that the measures have fallen short of bringing forth sustainable development strategies and the introduction of norms and standards with regard to the protection of the environment, social impacts, or labour (Campbell 2004: 81). As Campbell concludes:

In this regard, the extractive sector provides a particularly striking illustration of the way in which multilateral financial institutions, notably the World Bank, are, in view of their overall mission to reduce poverty and promote sustainable development, at times caught between contradictory and sometimes incompatible logics – promoting foreign private invest-

ment as opposed to promoting the social and economic development of countries and their populations. This appears particularly true in the post-adjustment African context, which has been characterised by a radical re-definition of the role of the state (Campbell 2004: 81).

Despite the IDM's a-political narrative, it appears that legal and judiciary reforms are locking-in policies which are striving to foster private investment, often to the detriment of interests that might arise from representative politics. The rise of governance hides highly contentious issues behind technical responses (UNRISD 2000: 7). As observed by Rittich: 'It is important to see legal reform as a part of a broader set of policy, legislative and institutional reforms which are designed to create not simply rule – and norm – based societies but particular types of market economies' (Rittich 1999: 17).

The IDM's new aid allocation mechanisms indeed isolate key political choices from the democratic realm, such as specific choices pertaining to the welfare state. These represent clear constraints on democratic choices which confer privileged rights of citizenship and representation to corporate capital (Gill 1995: 8). This tendency to depoliticize the state contributes to the institutions' isolation from social demands which seek to influence the redistribution of resources.

Conclusion

Building on the idea that the Bank's conditionality framework is intrinsically political, it has been argued here that the IDM represents a new corner stone in the attempt by neo-liberals to institutionalise the market ideology within reforming states. As such, with the new aid allocation mechanisms, the Bank is attempting to circumscribe the ability of borrowing governments to challenge orthodox policies as prescribed by the greater donor community.

Building on the gains of the structural adjustment period, the Bank has been a key element in promoting mechanisms of restraint deep within the state architecture in a way that any effective challenge to the neo-institutional reforms might prove to be quite difficult. It indeed becomes clear that in effectively transforming the state architecture, the Bank is shifting the political spaces between state and markets in a manner that benefits one over the others.

It is not the retreat of the state that the Bank is reaching for, but rather to transform the state's functions in a way that undercuts its ability

to mediate, regulate or mobilise in favour of its citizens³². What indeed becomes striking is the democratic variable which appears to be conveniently avoided in the IDM's narrative. Clearly, there is an urgent need to address the democratic deficit in the neo-liberal endeavour.

The political consequences of the growing contradictions entrenched in the role of the self-restraining state – between the pressures for greater local ownership of the reform and a stricter governance framework – need to be studied. As studied in the following chapter, this is timely as such neo-liberal strategies, which are increasingly focused on institutions and governance, are clearly being carried out through PRS.

Notes

¹ It is interesting to note that the Bank doesn't have formal definition of 'conditionality' in its legal framework or operational policies. Paragraph 13 of OP 8.60 policy identifies three essential requirements for the Bank to make disbursements in a policy-based loan: (a) maintenance of an adequate macroeconomic policy framework; (b) implementation of an overall program in a manner satisfactory to the Bank; and (c) compliance with critical policy and institutional actions (cited in Cisse and Raghavan 2005).

² In *Aid and Reform in Africa: Lessons from Ten Case Studies*, key authors from the World Bank – notably David Dollar, clearly demonstrate how the Bank conceives technocrats. See Devarajan, Dollar and Holmgren (2001). For a critical analysis of the Nigerian case, see Ibhawoh (1999).

³ It is during the *Monterrey Conference on Financing for Development* (March 2002) that all those stakeholders committed the concept of partnership between developing and developed countries, with to increasing both the volume of aid and the effectiveness of aid with a view to achieving the MDGs (United Nations 2002).

⁴ Of course, one needs to acknowledge that the 'selectivity' argument is not new to the Wolfensohn era. Easterly (2002) makes this point in his historical review of the idea in the aid industry. He recalls that as early as 1963, the primordial objective was:

To apply stricter standards of selectivity ... in aiding developing countries" (President John F. Kennedy 1963) "Above all, it is realized that ... that no foreign help will suffice where there is no national will to make the fundamental changes which are needed. It has become very clear that the impact made by contribution of resources from outside depends on ... his overall economic and social policy" (Pearson Commission 1969) "This report stresses

that the relief of poverty depends both on aid and on the policies of the recipient countries” (Cassen Development Committee Task Force on Foreign Aid, 1985) “Donors...agreed to place greater emphasis on economic performance.” (Fleming and Smith 1987, IDA-8) “The Deputies underlined the importance of sound macroeconomic and sectoral policies as a basis for effective use of IDA funds in all recipient countries.” (Stern 1990, IDA-9) ““Even very well designed projects cannot succeed in a poor policy...environment.” (Wapenhans Report 1992, cited in Meltzer Commission Report) (Easterly 2002: 36).

⁵ The International Development Association (IDA) is the Bank’s concessional lending arm. In addition to the PRSP and a CAS, countries still need a Letter of Intent.

⁶ Concretely, PRS replaced the Policy Framework Papers of the structural adjustment period as preconditions for concessional and grant financing from the Bank and the IMF.

⁷ Launched in 1996 the Initiative’s stated objective is to reduce the external debt of the poorest countries. To be eligible for the HIPC Initiative a country must: face unsustainable debt situation; be only eligible for highly concessional assistance from the IDA and the IMF’s Poverty Reduction and Growth Facility (PRGF) and; establish a track record of reform. The Initiative was modified in 1999 and was linked to the PRS process.

⁸ Three criteria are used to determine which countries are eligible to borrow IDA resources (World Bank 2008f):

1. Relative poverty defined as gross national income per capita below an established threshold and updated annually (in fiscal year 2008: \$1,065). Most of the 80 countries eligible for IDA funds have average annual incomes of less than \$500 per capita and in many, substantially less.
2. Lack of creditworthiness to borrow on market terms and therefore a need for concessional resources to finance the country’s development program.
3. Good policy performance, defined as the implementation of economic and social policies that promote growth and poverty reduction.

⁹ In 1998, the Country Performance Rating system was revised and replaced by the CPIA system. The criteria were substantially revised: coverage was expanded to include governance and social policies, the number of criteria was set at 20 (where it remained until 2004), and the ratings scale was changed from a 5 to a 6 point scale (World Bank 2006a: 1). Following some of the recommendations of the *External Panel Review* on the CPIA (World Bank 2004a), the Bank rationalized the CPIA content to 16 criteria and the extended the rating scale. See Hout (2007: 24-49) for an historical analysis of the Bank’s approach to per-

formance-based allocation.

¹⁰ To ensure that ratings are consistent with performance within and across regions: (i) detailed questions and definitions are provided to country teams for each of the six rating levels for the 16 criteria; and (ii) an institution-wide process of rating and vetting a dozen ‘benchmark’ countries is carried out to anchor the ratings in all IDA regions. This is followed by a process of institutional review of all country ratings before they are finalized (World Bank 2008f).

¹¹ For a thorough analysis of the CPIA, see Hout (2007: 24-50).

¹² According to the World Bank, 80% of the IDA Country Performance Rating is based on CPIA, while the remaining 20% is based on a country’s performance in relation to the portfolio of outstanding loans. The latter - which is the Annual Report on Portfolio Performance - measures the quality of development project and program management, the Bank’s is used to determine a score for each country’s implementation performance. In the second step, this composite rating is multiplied by the ‘governance factor’ to produce the country’s IDA CPR.

¹³ The cluster ‘Public Sector Management and Institutions’ has the following criterion: Property Rights and Rule-based Governance; Quality of Budgetary and Financial Management; Efficiency of Revenue Mobilization; Quality of Public Administration; Transparency, Accountability, and Corruption in the Public Sector. IDA’s resource is also allocated on the basis of population and GNI per capita.

¹⁴ See Carroll (2007) who provides an interesting analysis of Country Assistance Strategies.

¹⁵ The *Citizens Network on Essential Services* aims to democratize national and global governance by supporting citizens groups that are engaged in influencing policy decisions about basic services: water, power, education, and health care.

¹⁶ To be defined as having a: [...] “relatively good” policies for productive use of development assistance for poverty reduction, the World Bank states that as an overall score of at least 3.0 on the Bank’s Country Policy and Institutional Assessment (CPIA) index. Of 136 countries rated in 2003, 112 had CPIAs of 3.0 or greater. “3.0” rating on the CPIA rating scale in a policy area indicates that there are deficiencies in one or more of the criteria being rated in that area, while a rating of “4.0” indicates that a country is dealing quite effectively with most issues in the policy area’ (OED 2004a: 14).

¹⁷ On the overall debate over the Bank’s failure to implement/enforce the ‘selectivity’ argument, see Kanbur (2000) and Van de Walle (2001).

¹⁸ My translation.

¹⁹ Although originally developed as part of a theory of schizophrenia within

families, Gore suggests that a double-bind structure can be found in a variety of institutions. The authors defines the double bind as the occurring within families: ‘when a child faces two powerful injunctions from his or her parents to behave in certain ways, each of which is enforced through punishments that threaten survival, but both injunctions cannot be achieved because they are mutually incompatible. The final ingredient of the double-bind situation is a further injunction that prohibits the person from escaping the field of social interaction within which the contradictory injunctions occur’ (2004: 277).

²⁰ My emphasis.

²¹ Hout gives a thorough review of the literature on the subject. He divides the critics of the selectivity argument as follows: the methodological and empirical problems related to the use of cross-country regressions and the construction of the policy index, issues of model specification and the distorting impact of influential observations and outliers, the inclusion of additional data, the impact of external shocks on the aid-growth relationship, and the impact of factors such as political stability, democracy and post-conflict reconstruction (Hout 2008: 20).

²² On the subject, also see Dalgaard, Hansen and Tarp (2003).

²³ For a thorough historical analysis of the concept of governance, see Campbell (2000a, 2000b). For a critical analysis of the concept’s operational use within the Bank’s policies, see Hout (2007).

²⁴ My emphasis. Shihata further cautions: ‘With regard to legal framework for development, the Bank’s concern is with its procedural and institutional aspects. The substantive elements of such framework have political connotations that may sometimes lie outside the Bank’s mandate’ (1991: 16).

²⁵ My emphasis.

²⁶ Other multilateral players, such as the UNDP, have rather embraced the democratic, human right and participatory angle of the concept, using the notion as a point of entry in the struggle against poverty and inequalities (Campbell 2000a: 4).

²⁷ Campbell further argues: ‘not only does the notion refer to a multitude of definitions which vary according to the strategies of the different actors – whether bi- or multilateral financial institutions, aid agencies or NGOs, but it may be shown, notably with regard to the World Bank, that the definition of the same notion is in constant evolution within the same institutions (2000a: 3).

²⁸ On the subject see Campbell 2005; Fine, Lapavitsas and Pincus 2001; Harrison 2004, 2006; Hout and Robison 2008.

²⁹ The three key dimensions of governance are: (a) the process by which governments are selected, held accountable, monitored, and replaced; (b) the ca-

capacity of governments to manage resources efficiently and to formulate, implement, and enforce sound policies and regulations; and (c) respect for institutions that govern economic and social interactions (Girishankar et al. n.d.: 271).

³⁰ Campbell is referring to the paper World Bank, 'Tool Kit: Commitment to Reform Diagnostic', Institutional Analysis and Assessment. Available at <http://www1.worldbank.org/publicsector/toolkitscommitment.htm?OpenDocument> (accessed March 16, 2005)

³¹ GRAMA's research focus on the economic and social issues linked to the growing presence of mining activities in Africa. GRAMA works within an international political economy perspective and constitutes a forum for reflection and a meeting place for multidisciplinary researchers interested in issues related to economic, social, and environmental development in Africa and corporate social responsibility. See <http://www.er.uqam.ca/nobel/grama>

³² See Biersteker (1990).

5

The World Bank's Participatory Agenda: An Analysis of the PRS Experiences

Those who are absent are always wrong
(Congolese proverb)

Introduction

Increasing pressure from critics both within the Bank itself and externally has forced the World Bank to embrace a wider social development agenda. As a result, the Bank has been keen in arguing that its past zealous emphasis on economic growth – which marked the structural adjustment model – has been tamed with a more friendly over-arching objective: poverty reduction. Officially endorsed by James D. Wolfensohn, the new agenda was said to differ from the former Washington Consensus by acknowledging that poverty includes a range of economic and social deprivations and that institutions were key to the development process. The new 'social development agenda', which is core the Integrated Development Model, entrenched participation processes deep within the aid structure, and in so doing gave centre stage to 'civil society'. It is a central feature of the new PRS that they would be written by governments with the participation of civil society. Such a process is expected to foster local ownership and overall, increase the reforms' efficiency.

While participation has become the central instrument to carry out the social development agenda on the ground, the debate over the political significance of such agenda remains wide open. Some authors have argued that the Bank's participatory model indicates that the institution is finally democratising its aid structures and is thus genuinely seeking empowerment of local entities¹. By contrast, others have suggested that the new agenda represents a mere discursive shift and is nothing more than a public relation stunt².

In this chapter³, the participatory agenda is analysed in light of the PRS experience. It is suggested that the question related to the participation process should not be limited to whether or not participation methods took place but rather what political objectives the participation process itself accomplish in the larger technocratic setting of the IDM. The central argument guiding this chapter is that the participatory mechanisms within the PRS processes – in direct contradiction to the ownership narrative – should by no means be defined as part of an opening of political spaces in countries under reform. In relocating the PRS participatory experiences within larger questions about political power it is argued that co-option is the intended objective of the participatory mechanisms. This is a co-option of certain segments of civil society, which serves as a powerful tool for managing indifference or resistance within countries under reform.

The argument is presented in four sections. The first part addresses the rise of the participatory agenda at the Bank and how powerful groups within the Bank itself have hijacked such an agenda. The second part investigates the mechanism of implementing such agenda on the ground is investigated. PRS experiences are analysed in the third section. It is observed that certain segments of civil society – commonly reduced to NGOs – have become pivotal ponds in the framework by providing legitimacy to the process and assuming greater apolitical functions. Such functions, serve to ground disciplinary neo-liberalism at the local level. The last part of the chapter analyses the apolitical functions of CSOs within the IDM.

The overall analysis will demonstrate that this instrumentalisation of certain segments of civil society in order to tackle the resistance against the neo-liberal policies might prove to be highly problematic for the democratic regime in countries under reform. This subject will be addressed in the subsequent chapter.

5.1 The Changing Participatory Agenda at the Bank

Although often credited to the Wolfensohn presidency, the participatory agenda was actively discussed throughout the 1980s in light of the Bank's difficulties to implement its projects. Traditionally, projects had been implemented without any local stakeholder consultation, let alone any participation. This was seen as problematic by the social scientists who had been introduced within the Bank's staff. The space the *Social Devel-*

opment Network created for itself within the Bank forced an internal debate on the issue of participation. Edited by Michael Cernea and published by the World Bank in 1985, the book *Putting People First* pioneered the idea that: ‘people are—and should be—the starting point, the center, and the end goal of each development effort’ (Davis 2004: 2). This book was followed by Lawrence Salmen’s *Listen to the People* (1987) which suggested: ‘[...] ways in which participant observation can strengthen evaluation, assist project managers in solving implementation problems, and help adapt projects to the values and needs of the poor’ (cited by Davis 2004: 2).

At first the argument for a pro-participatory agenda rested solely on the possibility for stakeholder consultations to boost the success rate of specific projects. However, the global campaigns of a loud and highly critical international civil society movement in the 1990s forced the Bank to open up to the idea of participation of project stakeholders, at least within the Bank’s narrative.

The acknowledgement of the relevance of participation emerged in the 1994 Bank publication, which provided lessons learned from twenty participatory projects. *World Bank and Participation* suggested that: ‘[...] participation was not only a means (a tool), but also an end (empowering people)’ (Davis 2004: 6). This was followed by the publication of the *Participation Sourcebook* in 1994, which according to Gloria Davis⁴ had a major role in mainstreaming participation in the Bank (2004: 9). Driven by these internal debates the Bank already had guidelines on Social Assessment as early as 1994 which were designed to reduce poverty and promote sustainable development. However, the Bank, never formally adopted these guidelines issued by the *Social Policy Division in the Environment Department*. For Davis, this is mainly because:

Bank practitioners were deeply divided on whether or not a policy on social assessment should be mandatory or advisory, and how rigorously it should be applied. Some of those who supported a mandatory policy felt that by waiting, a body of successful examples could be developed to make the case for a strong policy more compelling. By the time this body of work was available, however, antipathy was growing within the Bank toward additional mandatory processing requirements, and efforts to formalize the policy and make it mandatory lost momentum. Whether this was a missed opportunity or a blessing in disguise, remains a matter of dispute within the family [...] (Davis 2004: 9).

As argued in chapter two, there is a lot to say on the internal divisions within the Bank itself and on the importance of the social development agenda. Hence the power struggles within the institution have always been an important part in explaining some of the contradictions between the Bank's social narrative and the actual experiences on the ground. Nevertheless, as Robert Chase, Senior Social Development Economist in the World Bank's Social Development Department, concludes, it is a fact that the influence of non-economists within the Bank often remains marginal (Interview September 18, 2006). Chase further concedes that the Social Development Department remains a 'second class citizen' within the Bank structure. Such observation is here quite revealing considering that the Department's task – as described by Chase – is to monitor the role of the PRS process to make sure that: 'while the Bank was talking the talk [it was also] walking the walk' (Interview September 18, 2006).

Yet the Wolfensohn presidency took important steps in order to make the Bank more transparent to its critics and to propose a more open agenda. Wolfensohn himself was described as an outspoken proponent of participation and outreach to civil society. He had agreed to involve himself and his staff with the *Structural Adjustment Participatory Review International Network* (SAPRIN), comprised of a number of NGOs engaged in the '50 Years Is Enough' campaign. The initiative that followed (the Structural Adjustment Participatory Review Initiative – SAPRI) was a joint five-year, multi-country participatory investigation into the effects of specific structural adjustment policies on a broad range of economic and social sectors and population groups (SAPRIN 2004).

James D. Wolfensohn's official commitment to entrench civil society's participation within the Bank's projects was further underlined by the introduction of the Comprehensive Development Framework (CDF), in which he stated that: 'In all its forms, civil society is probably the largest single factor in development', declared Wolfensohn (1999a: 25). He identified a list of 'players in the development business' in the CDF matrix: governments; multilateral and bilateral agencies; civil society in all its forms and the private sector, domestic and foreign (Wolfensohn 1999a: 21-22).

A key point of contention here is the evasiveness nature of the Bank's approach to the concepts of civil society⁵. As such, instead of a clear

definition, the CDF matrix provides a list of the possible actors which compose ‘civil society’. These are: elected parliamentary assemblies; religions and religious organisations; foundations; trade unions and employee organisations; employer organisations; NGOs with international reach; local NGOs; local groups organised for consultation and for implementation of projects; and organisations of indigenous peoples (Wolfensohn 1999a: 26). A more substantial definition – yet overwhelmingly inclusive – may be found on a page of the World Bank Website dedicated to civil society. It defines the group as a:

[...] wide array of non-governmental and not-for-profit organizations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations. Civil Society Organizations (CSOs) therefore refer to a wide array of organizations: community groups, non-governmental organizations (NGOs), labor unions, indigenous groups, charitable organizations, faith-based organizations, professional associations, and foundations (World Bank 2008b).

As argued in the in the following section, there exists an historical malaise within the Bank in clearly defining the concept of civil society. The problem stems from the fact that the concept brings forth eminently political discussions on the role and nature of this so-called ‘civil society’. As such, the idea of civil society at the Bank precludes the reality that there are deep and ongoing fractures and conflicts within civil society itself.

It is interesting to note that while the Bank, in the 1980s and early 1990s⁶, emphasised the term ‘NGOs’, the Wolfensohn presidency shifted towards the concept of ‘CSOs’. Alan Fowler – who at that time was an adviser to the Bank on issues of enabling civil society participation – explains that ‘Wolfensohn wanted greater inclusion’ and as such, he wanted to include faith organisations. As a result, attention turned to ‘civil society’⁷ (Interview May 16, 2009). However, Fowler further observes that: ‘the political difficulties of dealing with CSOs that wanted the bank to close – *50 Years is Enough* – added to voices and backlash [...] against the expansion from NGO-ism to CSO-ism [...]’ (Interview May 16, 2009). Such political realities come a long way to explain how, in practice, the Bank has tended to use the concepts of civil society, CSOs and ‘NGOs’ interchangeably⁸ in its literature on PRS participation. As thoroughly argued in the remaining of this contribution, such practice hides the politi-

cal intricacies inherent to ‘civil society’. In other words, it will be argued that in equating terms such as ‘civil society participation’ to the depoliticised practice of having certain segments of this so-called civil society participate on limited issues, as reflected by the PRS experience, the Bank is attempting to limit participation to a technocratic and functionalist exercise.

5.2 Participation and the PRS: from Narrative to Implementation

The participatory agenda of the IDM has been primarily carried out by its main aid allocation mechanisms: the Poverty Reduction Strategies. The Bank’s *PRS Sourcebook* identifies several guiding principles for participation in order to instigate a ‘more inclusive and equitable processes for formulating, implementing, and monitoring’ PRS. According to the *Sourcebook*, an ‘effective participation’ should focus on country ownership, here characterised by government commitment and broad ownership of the PRS process. The second given criteria is an outcome-based approach to participation, where the participatory processes are designed and conducted with specific outcomes in mind (Tikare et al. n.d.: 238). In addition to the necessity of being an inclusive process, the *Sourcebook* states that the process will foster ownership if the participation and its outcome are transparent (Tikare et al. n.d.: 239).

However, the PRS participatory experiences appear to embody serious flaws, raising doubts over the Bank’s intention to foster genuine ownership at the local level⁹. An overwhelming issue that repeatedly emerged out of the PRS participatory agenda is linked to the pressured time frame of the process. Governments were rushing the participation requirement in order to rapidly reach the completion point for debt relief¹⁰. As this was a major problem across the board for the first generation of PRSPs, the Bank and the Fund addressed this issue by instating the Interim PRSP (I-PRSP). The I-PRSP allows governments to access debt relief without compromising the participatory process of a full PRSP. I-PRSPs are meant to provide a roadmap for formulating the full PRSP (Tikare et al. n.d.: 240).

While the I-PRSP addressed part of the time frame issue, experiences have shown that allowing a genuine participatory process to take place would require much more time than expected by the PRS process. On this issue, EURODAD – an important network of European develop-

ment NGOs¹¹ – stated that: ‘The principal problem is that producing a PRSP through a comprehensive participation will take significantly longer than expected – up to five years or more [...]’ (EURODAD 2001a). The Bank does not clearly establish a time frame for the participatory process. However, it does acknowledge that consultations require time for adequate preparation – i.e. two to three months lead time for planning and preparation (World Bank 2002a: 28). Nonetheless, certain countries rushed the transition from an I-PRSP to a PRSP. This was for example the case in Malawi, where the government presented a full PRSP only four months after its I-DSRP. The Operation Evaluation Department (OED), the Bank’s own evaluation branch, states that rushed preparation of documents to meet the Bank and the Fund’s deadlines was cited as a problem, notably in Cambodia, Mozambique, Nicaragua and Tanzania (OED 2004b).

Other technical issues have been linked to the lack of quality information made available for the groups expected to participate to the consultations. The IMF and World Bank 2004 evaluation of PRSPs progress in implementation observes that: ‘A more diverse set of stakeholders is engaging in the PRS process, [...]. They seek deeper engagement in PRS implementation and monitoring phases, but frequently express frustration that the flow of information and its quality continues to fall short of their expectations’ (2004: 18). In a synthesis study focussing on the Bolivian and the Tanzania PRSPs, Curran observes that the consultations for the first Bolivian PRSP were held in Spanish, which is not the first language of indigenous groups (Curran 2005). In a review of the quality and results of PRSPs in 19 countries *CIDSE-Caritas Internationalis* – a network of Catholic donors representing NGOs from eight European countries as well as Canada and the US¹² – collected evidences of the lack of information sharing from government to civil society organisations in the case of Mozambique, Rwanda, Niger and Honduras, as well as Bolivia (2004: 4).

Such difficulties faced by CSOs highlight the fundamental question about the quality of the participatory process within the PRS. The Bank has been keen in absorbing critiques of the technical aspects of participation and has adjusted its recommendations over time. This outlines the underlying argument of the Bank that issues set forth by the participation agenda are technical in nature. For Jean-Christophe Bas, the Manager of the Development Policy Dialogue at the World Bank, while ‘engaging

with all the communities is the wish of the institution [the World Bank] [it] sometimes may generate frustrations because of the long time that it takes' (interview September 18, 2006). Bas further observes that 'a big mistake is the acronym of the PRSP', suggesting that part of the problem with the process is that the 'acronym does not resonate in peoples mind'. Such strict focus on the technical aspects of participation is wide spread within the Bank's evaluation of participatory process. For example, in the document *Consultation with Civil Society: A Sourcebook* the Bank suggests that CSO frustrations with the PRS process would be resolved by inviting participants well in advance of a consultation and with background information disseminated to them at least two to three weeks prior to it (2002a: 28). The *Sourcebook* further observes that: 'Inviting CSOs to a consultation at short notice creates ill-will and promotes the impression of not taking them seriously' (2002a: 28).

If over the last years the quality of the participatory process has fluctuated from one country to another, an important factor has undoubtedly been the willingness of governments to engage with CSOs. While in many countries the processes were rushed because governments were in need of the debt relief funds linked to the PRSP, in other instances, it appears that governments were simply not interested in including civil society. In those cases, observed the *Southern African Regional Poverty Network*: '[governments] did the minimal amount of consultations required' (Curran 2005: 2). EURODAD further observes that CSOs in Kenya reported that the government wasn't keen on providing documentation prior to the consultation process of the first PRS of the country. In this case, it is the Bank and the Fund who stepped forward and made the draft I-PRSP available (EURODAD 2001b). *CIDSE-Caritas Internationalis* lists cases of non-cooperative governments towards the participation of CSOs in PRS notably in Uganda, Rwanda and other Francophone West and Central African countries (2004: 4).

These obstacles linked to government-CSOs dynamics have often been the subjects of complaints to the Bank. The fact that the Bank and the Fund do not evaluate the participatory process has indeed been the subject of great controversy. While there are 'recommendations' provided by the IFI, there are no mechanisms in place to reject a PRSP which would have been the subject of a superficial participation process. Obviously, political, strategic and economic interests of the greater development community have gone a long way to explain the efforts of the

IFI in exercising pressure on specific governments to foster a participatory process. As observed by EURODAD, CSOs have noted that the IFI have sometimes been quite evasive when they did not want to upset the local government, relegating the participatory issue to a minor criterion in the PRS process (2001b).

In fact, and this is undeniably the heart of the problem on participation, there exist an obvious ambiguity between the concept as defined in the IDM and the fact that the IFI chose not to enforce the principle by linking it to the acceptance of the final papers. As summarised by Tim Kessler of *Citizens Network on Essential Services* during the EURODAD annual conference: 'It is simply dishonest for the multilateral lenders to declare that participation is a key to poverty reduction, and then tell civil society to go complain to their own government if it doesn't happen' (Kessler 2000).

Well beyond the issue of local government unwillingness to encourage CSOs participation, remains the crucial issue of the content available for the participation process. It indeed appears that in promoting participation in the reform process, the Bank is undeniably trying to give a new aura of legitimacy to its operations and thus provide what Jean-Christophe Bas, the Manager of the Development Policy Dialogue at the World Bank, admittedly characterised as a 'cosmetic exercise' of consultation with CSOs (Interview October 10, 2006).

While the *PRS Sourcebook* defines participation as: '[...] the process by which stakeholders influence and share control over priority setting, policymaking, resource allocations, and/or program implementation' (Tikare et al. n.d.: 237), the PRS experiences show that this might be quite over-enthusiastic for what is actually happening on the ground. In their analysis of the participatory process, McGee and Norton (2000) proposed a 'ladder of participation', differentiating between i) Information sharing; ii) Consultation; iii) Joint decision-making and; iv) Initiation and control by stakeholders. Contrary to the *Sourcebook's* definition of participation – by which one could easily conclude that the participatory process is expected to reach the highest step of the ladder proposed by McGee and Norton – experiences so far have rather shown that participation has taken the form of 'information sharing' or at best, it has been 'consultation'.

In fact, it appears that even in the best scenarios, the PRSP content on which CSOs were allowed to debate was overwhelmingly limited to tech-

nical sectors. In her analysis of the institutionalisation of participation in the 2003 Ugandan PRSP¹³ revision, Namara (2009) highlights the constraints faced by CSOs during a consultation process which was organised into sector working groups. In her interviews with NGO representatives, she notes that there seems to be a consensus on the fact that their efforts were fragmented, limiting the possibility of thinking holistically about principles that guide the PRSP (Namara 2009).

The Bank appears to have tackled this issue by suggesting that the lack of contribution to policymaking by civil society organisations is explained by their lack of capacity. While almost everyone is fully dedicated to the process, the jargon of PRSPs is very complex, argues Jean-Christophe Bas (Interview September 18, 2006). As such, the Manager of the Development Policy Dialogue at the Bank concludes that the problem with participation in HIPC countries is one of capacity (Interview September 18, 2006). This take on the participation difficulties in PRS is generalised within the Bank's official documents. For example, in the evaluation of PRSP progress in implementation, the World Bank observes that the: 'capacity to contribute to policymaking and to engage in a constructive debate on policy is limited, particularly among civil society organisations. This is an area where coordinated assistance from other multilateral and bilateral donors can play an important role' (IMF and World Bank 2004: 19).

Capacity deficit is a genuine concern for CSOs' participation in PRS, whether CSOs' ability to address macro-economic issues or their capacity to propose alternative policies¹⁴. While CSOs would undeniably benefit from capacity building, there appears to be an important lack of structural analysis of the political underpinning of CSO participation. Downgrading the problematic surrounding participation to an issue of mere capacity is highly debatable. Well beyond the technicalities linked to the participatory process itself, the divergence in the power dimensions between the actors in the PRS playing field, do remain to be addressed.

5.3 The Morning After: Have the Consultations Influenced the Papers?

The participatory experiences, notably due to the wide range of countries involved, have obviously led to mixed experiences and evaluations. There are many examples where the PRS participation process was positive¹⁵. Sierra Leone's first full PRSP, for example, is cited as having been

produced in a relatively participative manner (EURODAD 2005). The civil society in Zambia mobilised itself and taped into the policy dialogue during early formulation as well as final evaluation of the policy and in Uganda, there was a set up for participation and monitoring the policy implementation (Braathen 2006: 6). Other cases have been reported where the participatory process was a blatant failure. For example, Easterly reports that in Bolivia, the first draft of the PRSP: 'was written in part by an American consultant in Paris', while the Cambodian first PRSP was prepared: 'by 10 foreign consultants with guidance from the World Bank' with little government involvement (Easterly 2002: 44).

In this section, it is argued that there is a need to transcend the strict focus on the technical aspects of the participatory process in PRS, a trend which is hiding the overarching political roots of the current emphasis on participation. Two issues are at play here: one linked to the PRS content opened to CSO consultations and one linked to the actual possibilities for these consultations to influence the content of a final PRSP.

The analysis of the participatory endeavour in PRS countries points to the fact that macro-economic issues appear to have been kept well out of reach of the participatory process. In the evaluation of PRSPs progress in implementation, the World Bank concludes that: 'There is as yet relatively little evidence of a broad-based and open discussion of macroeconomic policy alternatives in PRSPs' (IMF and World Bank 2004: 19). The underlying problem is linked to the existence of parallel processes where on the one hand soft issues such as education and health are open to participation, while macro-economic issues are not on the table. In the case of the first PRSP in Bolivia¹⁶ for example, Curran's study showed that most of the discussions were kept to how the HIPC funds would be spent in selected sectors:

CSOs were informed that they were not able to discuss the role of the state in stabilising the economy in Bolivia or the IFI conditionalities to which the Government had agreed. The result was that the PRSP document focused on policies narrowly related to the productive sectors, some of which had been recommended by CSOs at the consultations, but CSOs remained critical that broader issues on macro-economic policies and trade were omitted from the final draft (Curran 2005: 8).

Undoubtedly in direct response to the score of criticism following the experiences of the first generation of PRS, the Bank now acknowledges

the importance of opening the macro-economic framework to the participatory process. In the *PRS Sourcebook*, it is observed that:

Macroeconomic policies are generally viewed by governments, donors, and even some civil society organizations (CSOs) and NGOs as being too technical for them to contribute. However, recent experience shows that participation in macroeconomic policy is possible, and that it helps to offset some of the harsher side effects of these policies, which can include cutting subsidies or imposing value added taxes, for example. There are typically some representative groups in society who can actively engage in substantive dialogue with donors and government on policy alternatives, and there are other groups that can speak to issues such as sequencing of policy reforms and adopting measures to increase accountability and transparency (Tikare et al. n.d.: 247).

While this is a shift to be celebrated by CSOs, there are serious doubts that the participatory process would actually influence PRSPs, especially at the macro-economic level. The foundations of the IDM remain solidly anchored within the objective of consolidating the regulatory state. In the previous chapter, it was argued that the IDM's governance framework is about controlling the gateways of reforming countries' economy in a way that weeds-out unwarranted political influence. The analysis of the PRS experience in light of the governance agenda is quite revealing as it explains the contradictions between the content of the final PRSPs and the participatory process. Such discrepancy between the participation and the Papers are rooted in the constraints imposed by the new conditionality framework which prioritises market-enabling policies. The striking similarities from one final PRSP to the next does suggest that the participatory process which is argued to be core to the PRS framework is trumped by the neo-liberal prerequisites. As observed by Robert Chase of the World Bank, PRSPs are not run by the Social Development Department but by the same group of macro-economists who used to manage the Structural adjustment programs. Chase bluntly adds that: 'These people are absolutely not interested in discussing some of these participatory process' (Interview September 18, 2006).

In their analysis of the overall PRS framework, *Bretton Woods Project* – an advocacy NGO which analyses and seeks to influence the IFIs – concludes that:

While there have been examples of innovation in some areas, the macroeconomic framework has remained largely unchanged. Many NGOs are concerned that this contradiction means that governments opt for programmes that they know will be accepted even if this conflicts with priorities identified through consultative processes (Bretton Woods Project 2003).

An analysis of the chapter on macroeconomic issues of the *PRS Sourcebook* is quite revealing. The *Sourcebook* clearly states that a PRSP must espouse what the Bank defines as ‘sound macroeconomic policies’. Furthermore, while the Bank is now more inclined to open the participation process to macroeconomic issues, the strict conditionality package attached to the IMF Poverty Reduction and Growth Facility remains. This leaves no doubt that the little space remaining for negotiations lies between the executive branch and the World Bank. In other words, considering the importance of international aid allocation for the HIPC, it is highly unlikely that indebted governments would actually risk writing a paper that defied the orthodoxy, an argument which resonates in an overwhelming case of PRS experiences. While such facts led the World Development Movement to conclude that: ‘PRSP[s] have become a rubber-stamping exercise for conventional Bank and Fund policies’ (Jones and Hardstaff 2005: 7), *Oxfam International* concludes that ‘it seems to be “business as usual” with regards to policy design’ (2001: 5). Dembele, from the *Forum for African Alternatives* and *50 Years Is Enough Network South Council*, further observes that there is a lot of frustration in the CSO community:

They have been frustrated by the PRSP process: They found out that they were used more as alibi than considered as true partners whose opinions are valued and taken seriously. In several countries, including Uganda, Mauritania, Senegal, Tanzania and Mali, CSOs have found themselves as the ‘guinea pigs’ of the PRSP process (Dembele 2004).

It is further illustrative that the Bank’s language used to refer to the participating organisations has alternated between two different meanings. On the one hand, the organisations are ‘stakeholders’ but on the other hand, they are sometimes rather perceived as vested interests. The difference being whether they agree or not with the neo-liberal framework.

This further highlights the risk of ‘participation fatigue’ of CSOs which have been reorienting time, moneys and staff towards the PRS

process. Molenaers and Renard, who have analysed the participatory process in PRS warn that these empty participation exercises may lead to participation fatigue and heighten the already high levels of distrust existing between the state and wider society (2006). And the frustration appears to be warranted. In a study of 42 PRSPs, the World Development Movement observes that the policies contained within PRSPs: ‘[...] bear striking similarity both to each other and to the standard prescriptions of the supposedly defunct Washington Consensus’ (Jones and Hardstaff 2005: 10). The report finds that on average, a PRSP contains six out of nine standard IMF and World Bank policies¹⁷. The main findings are summarised in Table 5.1.

Table 5.1
Standard IMF and World Bank Policies in 42 PRSPs

Policies	Main findings
Trade liberalisation:	There are further trade liberalisation measures in 30 of the 42 PRSPs on top of the significant trade liberalisation that has already happened in many of these countries;
Privatisation:	38 of the 42 PRSPs include privatisation, and 27 of these specifically include water privatisation or greater private sector involvement in water supply services;
Deregulation:	26 PRSPs include investment deregulation;
Fiscal stringency:	40 out of 42 PRSPs include fiscal stringency.

Source: Adapted from Jones and Hardstaff 2005: 10-11.

The study of all the PRSPs and I-PRSPs¹⁸ in the Sub-Saharan African countries involved in the process¹⁹ reveals compelling similarities with World Development Movement’s findings. On the subject of privatisation for example, 30 poverty reduction strategy documents out of the 34 documents submitted by Sub-Saharan countries clearly state or re-iterate their commitment to privatisation. While Burkina Faso plans to ‘step up’ the privatisation process (2004: 66), Senegal to ‘deepen’ it’ (2006: 71) and Benin to ‘expedite’ it (2007: 37), Rwanda announces the completion of the privatisation of 70 enterprises (2007: 24). Cameroon vows to privatize its state-owned agro-business and commercial enterprises (2003: xiii), Burkina Faso to establish a program for privatisation in telecommunications, information technology, energy, and water sectors (2004: 77),

Gambia to privatise the groundnut trade (2006: 16) and Kenya to include several modalities for private sector participation in water, energy, roads, transport, and communications (2004: 39).

Beyond the participatory narrative, final PRSPs appear to reveal extensive privatisation of essential services. To imply that the privatisation of water supply would be advocated by CSOs, for example, is highly questionable. Out of 42 PRSPs analysed by World Development Report, 27 specifically included water privatisation or greater private sector involvement in water supply services (Jones and Hardstaff 2005: 10-11). In his study of the case of Sierra Leone, Kovach (2005) observes that CSOs were strongly against privatisation of essential services, especially the privatisation of the Guma Valley Water Supply. In Bolivia, CSOs and academics analysing the process leading to the first PRSP concluded that the impact recommendations made by CSOs had on policies was negligible and issues that had been agreed in the consultations were changed in the final document without general consensus (Curran 2005: 6).

Despite the participatory imperative at the heart of the IDM and promoted via the PRS process, the fact remains that the model is solidly grounded in the traditions of the Washington Consensus. As argued in the previous chapters, the Bank remains adamant that achieving sustainable growth and poverty reduction have good economic policies prerequisite (including the promotion of macroeconomic stability), well-developed human capital, and openness to the world economy (World Bank 1997: 18). As explained in the PRS *Sourcebook*:

The fact that solutions to poverty therefore cannot be based exclusively on economic policies, but require a comprehensive set of coordinated measures lies at the heart of the rationale underlying comprehensive poverty reduction strategies. Economic growth, however, remains the single most important factor influencing poverty, and macroeconomic stability is essential for high and sustainable rates of growth. Macroeconomic stability must therefore be a key component of any poverty reduction strategy (Ames et al. n.d.: 4).

It is thus with out surprise that in her extensive study of the conditionality framework and the PRS, Wood (2004) observes that civil society has voiced disillusionment on the participatory process: 'The general view is that the PRS process to date has been little more than a public relations exercise' (2004: 39).

The obvious contradictions between the IDM's narrative and the constraints of producing a neo-liberal oriented framework has led countless critics to argue that PRS are thus structural adjustments in disguise²⁰.

The mechanics of melding a 'top down' agenda with a 'grass root participation process' are bound to raise concerns. As acknowledged by the Bank, there is a 'need to lessen the tension between the PRSP role as a process for building domestic consensus and ownership and the roles that it plays with regard to debt relief and access to aid resources' (OED 2004a: 22). However, the implementation of measures truly linked to poverty reduction – not to mention the very eradication of poverty – would require an analysis of the true causes of poverty. As such, many CSOs who participated to the PRS process felt that more abstract questions on 'why is there poverty in our country', 'how did we get to where we are now' and 'what sustains this poverty' – were not open to discussions (Curran 2005: 16). Marshall, Woodroffe and Skell further observe that: 'The poverty diagnosis at the start of the PRSPs and I-PRSPs frequently state that poverty exists because the country did not follow, or followed inadequately, the neo-liberal economic model promoted through SAPs, by the IFIs' (2001: 15).

This is the very paradox of the social narrative at the Bank: the quest for a technical framework which is said to tackle poverty while refusing to address the very contradictions within the model. The neo-liberal model does not admit that the problems of poverty require a reorganisation of power, a reorganisation which is in fact, often to the disadvantage of the Bank's allies. The economic conditionality that remains at the heart of the IDM continues to promote the same economic austerity that characterised the structural adjustment period. As such, there exists a considerable gap between policies that are seen by CSOs to be in the interests of the poor and most of the recommendations contained in the PRSP. For instance, the Mozambican PRSP indicates that the pursuit of rapid economic liberalisation is a government priority, while those in Mauritania and Uganda vow to increase the role of the private sector in public services, thus threatening the existing public subvention to the poor communities (Mutume 2003). As argued by Dembele in a study for *Forum for African Alternatives* and *50 Years Is Enough Network South Council*, poor people call for cheaper and more affordable prices for staple goods and for free access to basic services, a demand which is in direct contra-

diction with the delivery of such services by the market, as prescribed by the IFIs (2004):

The privatization of essential services, like water and electricity and the deterioration or privatization of public services, such as health and education, have never been in the interests of the poor. For instance, the imposition of user fees on health care or education has led to a sharp drop of hospital attendance and school enrolment from poor or low-income families and increased the gender gap, since girls and women are the main victims of those policies (Dembele 2004).

It is revealing to note that in 1999, the Bank itself provided evidence for this in some of its own studies. For example, it interviewed 20,000 poor people in 24 countries in order to better understand poverty. The resulting study – *Voices of the Poor: Crying Out for Change* – was analysed by UNCTAD who asked what the poor in Africa expected from policy-makers in order to alleviate their situation and then proceeded to see if their aspirations were truly reflected in the PRSP. UNCTAD (2002) found serious inconsistencies between the demands of the poor and policy components of PRSPs:

In some instances their demands go far beyond what is proposed in PRSPs. For instance, while the poor welcome the elimination of fees at primary schools or the introduction of free inoculations for their children, they would like to see free provision of health services and education at all levels. Again, while they support the emphasis on the elimination of corruption, they are concerned much more with petty corruption involving police, doctors or teachers than with other forms of corruption, such as may occur on a particularly large scale among domestic and foreign businessmen and politicians in respect of government procurement. But there is also a large area where the aspirations of the African poor directly conflict with the policy approach incorporated in the PRSPs. Positions on agriculture, labour markets, macro-policies, income distribution and the private sector, [...] are to a large degree incompatible. In these areas, policy preferences of IFIs and/or national governments rather than expectations and aspirations of the poor appear to have prevailed (UNCTAD 2002: 15).

In demonstrating that the possibilities of a participatory process to influence the content of PRSPs remain extremely constrained by neoliberal pre-requisites, one has to transcend the IDM's narrative and analyse the real political motivations feeding the participation agenda.

5.4 On Fragile Ground: the Politics of Participation

In this final section, it is argued that the focus on civil society's participation within the IDM is geared towards the technical skills that CSOs – or in this case NGOs – may offer in the reform process. In direct contradiction to the IDM's official narrative, it is argued that the immediate concern for civil society is not intended to foster participation but rather to ensure policy implementation at the local level.

Under the new aid framework, it can be said that CSOs have been assigned three apolitical roles: 1) to provide accountability; 2) to co-opt and neutralise the voice of contestation to the reform process; 3) to provide services to the poor as sub-contractors of the state. While these tasks are dislocated from the possible political functions of civil society – such as political advocacy – they represent nonetheless a key instrument to implement regulatory neo-liberalism at the local level in the following ways.

5.4.1 To provide a Techno-Managerial Form of Accountability

Beyond the urgency to rebuff international criticism and to feed some well-needed legitimacy to the reform process, the PRS participation model has become a pivotal tool in the fight against corruption.

As Wolfensohn declared war on corruption in the mid-1990s, 'corruption' became quite the buzzword throughout the aid community. Amongst the Bank's battle plans, civil society was assigned a 'vital role' (World Bank 2007a). The idea stemmed from the experience of the Structural Adjustment period where the state's predatory behaviour was hampering the reform process. If the costs of fighting corruption remain too high for politicians, the Bank's new strategy – which is solidly anchored in New Institutional Economics – suggests that civil society may be used to pressurise governments into reforming its behaviour. The World Bank argues:

But rule-based government is not enough. [...] Partnerships within the state can build commitment and loyalty on the part of government workers and reduce the costs of achieving shared goals. The flip side of partnership is competitive pressure-from markets and civil society and within the state itself. Such pressure can improve incentives for performance and check the abuse of the state's monopoly in policymaking and service delivery (World Bank 1997: 78).

Under the IDM, civil society is assigned a role as an ‘accountability’ provider, but in a depoliticised fashion. Their comparative advantages over the state make CSOs representative of the plural interests of the poor and are consequently seen as more accountable to the poor than the state. While this is further discussed in the following chapter, it is relevant to observe that the state, under the neo-liberal definition, is perceived as a grouping of rent-seeking individuals. As a result, donors are turning to CSOs – local and international – to counter the governance predicament. As such, international donors contract CSOs as external monitors to stimulate demand among poor people for effective service.

The roles assigned to CSOs, as accountability providers, take different forms such as creating public awareness about corruption, formulating and promoting action plans to fight it and, as it is frequently the case in PRS, to monitor governments’ actions and decisions in relation to corruption. This ‘watchdog’ function (World Bank 2007a) is illustrated by the rise of the idea of ‘Social Accountability’ at the Bank. It is an approach towards building accountability that relies on civic engagement, i.e. in which it is ordinary citizens and/or CSO participate in exacting accountability (World Bank 2007b). However, a closer look at the concept might reveal that it has been completely deprived of its traditional link to social change. Social accountability, according to the Bank, is about holding government officials and bureaucrats accountable:

Across the world, we find citizens are mobilizing, often locally, to demand better services. *Not by shouting, but by counting.* Making sure their governments spend effectively, and keep their promises. It’s not just about people protesting and making noise. This new approach to citizen action actually involves systematic analysis and intelligent use of data [...]. Citizens are demanding accountability from their public institutions. At the heart of this is getting and using critical information about budgets, expenditures, corruption, performance, etc. (Our emphasis. World Bank 2004c).

Here CSOs’ role as accountability provider is a device knitted within a technocratic agenda where technocrats mobilise certain segments of civil society on behalf of specific apolitical objectives – such as the fight against corruption. Such a take on the role of CSOs is quite revealing of the Bank’s intent to tackle the political realm – i.e. to manage the predatory behaviour of government – while simultaneously trying to avoid enticing political activism that may arise from a mobilised civil society. Here the quote ‘Not by shouting, but by counting’ mentioned above is

illustrative of NIE's take on social institutions, as argued in chapter three. As such, participation mechanisms core to the PRS process are geared towards an apolitical process that has little to do with allowing CSOs to influence policy but rather as useful actors in insuring reform sustainability, an element which is considered vital to foster foreign investments. The *PRS Sourcebook* states that participation is essential for the sustainability of the reform process given that if participatory processes are built on existing mechanisms, they are more likely to be institutionalised and sustained over time (Tikare et al. n.d.: 239).

5.4.2 Managing Dissent

This introduces another vital role assigned to CSOs in the IDM. While serving as technical accountability providers, CSOs also have a vital role to play in terms of managing dissent. Two factors are at play here: one related to the social impact of the reform and the other pertaining to the contestation and the civil unrest that might arise from an unmanaged civil society. As stated by the Bank in its 1997 World Development Report:

There is also a danger that dissatisfaction with the state—whether expressed through social protest, capital flight, or the ballot box—will undermine economic prospects even further (World Bank 1997: 38).

Participation may thus be defined as a vehicle for creating the appearance of consensus in favour of the reform process. As such, the Bank further states that the benefit CSOs can bring to the development efforts is the promotion of public consensus, notably 'by building common ground for understanding and encouraging public-private cooperation' (World Bank 2008a). The idea that stems from the PRS participatory experience indeed reflects that governments had to foster a coalition in favour of the reform in order to secure the process in the long-term. In light of the hectic record of the 1990s, managing opposition was indeed pivotal. It is no coincidence that the Bank embraced CSOs at the same time as the structural adjustment model was crumbling under criticism, not only from the vocal international civil society but also from within.

Participation of civil society in the PRS process can thus be viewed as a relief valve for venting opposition in a controlled environment. Carroll's analysis of the participation in the Filipino CAS is revealing:

The meetings were described by the Bank as lively. From the point of view of one Bank staffer they also helped to dispel issues with and criticisms of the Bank and erase the perception of the Bank as 'shrouded in mystery'. This hints at why, as communication and constituency building exercises, consultative and participatory processes are perceived as value-adding for the Bank. Getting people 'on-board', giving people a sense that they are inputting into the process dissolves the perception that the Bank is a monolith, unresponsive to domestic concerns and meddling in domestic politics (Carroll 2007: 169).

5.4.3 Providing Services to the Poor as Sub-Contractors of the State

The other side of the coin of the IDM's quest for legitimacy for the reform process has been to address the social impacts of the structural adjustment reforms. As such, a central role of the IDM has been to acknowledge that poverty includes a range of economic and social deprivations and that there is a need to facilitate social service access for the poor.

While service delivery such as health care and education has been an important function of CSOs throughout the 1990s – it represents a 1.1 trillion dollar industry (Salomon, cited in Edwards 2004: 14) – the recent years have brought forth an important increase in their role as social service providers, especially for development NGOs.

The collapse of the Keynesian model and twenty years of structural adjustment programs have indeed been characterised by an important transfer of the states' traditional functions to CSOs. The organisations gradually became sub-contractors to deliver social programs that were formerly under the state's jurisdiction. Such renewed faith in the capacity of CSOs derives from the neo-liberal perception of the breakdown of the states' own capacity, as illustrated by Stiglitz during his testimony on the World Bank for the House Financial Services Committee:

Moreover, the challenge to the World Bank and other aid agencies, when confronting a country with poor governance, is to find alternative delivery mechanisms for aid. It is bad enough that the people in these countries are suffering from poor governance; to be doubly punished by denying aid would seem unfair—especially if there exists alternative ways by which assistance can be provided (especially in health and education, investments in the youth in these countries). Bangladesh is a country whose govern-

ance is widely criticized; yet it has some very effective NGOs which have been successful in reducing poverty, increasing literacy, and advancing gender rights. It would be wrong to cut off Bangladesh from assistance simply because of poor governance. Aid can be delivered effectively through these NGO's. In other countries, we should work to create and strengthen alternative delivery mechanisms (Stiglitz 2007: 9).

Such a statement brings forth the issue of the changing role of the state after more than two decades of liberalisation, privatisation and deregulation. As argued in the previous section, the content of PRSPs and the greater IDM framework appear to be riddled with contradictions. The merger of the quest for strict neo-liberal economic reforms and a narrative focused on poverty reduction remains difficult to make operational. Interestingly, and as studied in chapter three, the social narrative of the IDM has been greatly influenced by NIE ideas. As such, this should be viewed as a framework which attempts to address social problems in technocratic ways that seemingly avoid political interventions. The emphasis on strengthening the voice of the poor as well as the recent interest in maximising self-help initiatives in local communities is here quite revealing. As argued by the Bank: 'Evidence is mounting that government programs work better when they seek the participation of potential users, and when they tap the community's reservoir of social capital rather than against it (World Bank 1997: 10).

The overwhelming emphasis on social capital in the new framework is further revealing. For the Bank, social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions (World Bank 2008i). The institution states:

Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together (World Bank 2008i).

This concept has alternatively been associated with all types of benefits: in growth, competition, well-being and economic development, but also in health, security and political participation, institutional efficiency and even, happiness (Ponthieux 2003: 8). However, the concept becomes extremely contentious when presented as the possible 'missing link' in development. The Bank's recent enthusiasm for social capital is problematic as far as it may be disconnected from its political dimensions. It is indeed not Pierre Bourdieu's definition that has been adopted

by the World Bank but rather Robert Putnam's vision that has generated the most echoes in the institution. Where Bourdieu saw an issue of class reproduction in social capital and understood it as an instrument of power, Putnam saw a less political concept.

Inspired by James Coleman's rational choice approach, Putnam's study of Italy and America brought him to the conclusion that performance and the level of socio economic development are most strongly explained by a factor that he labels 'civic engagement' (Putnam 1995). This suggests that social capital, defined in terms of norms that value collective goods and density of networks, is a critical condition for 'good government' and probably for economic development as well (Harriss 2002: 7). While not against state interventionism entirely, Putnam's take on the concept prescribes caution, as public policies should not damage a society's social capital²¹.

There undoubtedly is a great appeal for neoclassical economists to foster a 'bottom-up' approach or in other words, to focus on community development, training, capacity building, and the inculcation of values and norms, rather than investing in policies that are designed to enhance opportunities for individuals. When combined with the World Bank's need to answer the wave of criticism it was facing throughout the 1990s, one can easily understand the appeal for such a take on the concept within the Bank. While it does warn against the downside of social capital²², the emphasis the institution gives on the concept is overwhelming within the IDM²³. As argued by Hammer and Pritchett, the contradictions are linked to the temptation to expand a successful innovation far beyond its original successes (in Bebbington, Guggenheim, Olson and Woolcock 2004: 71). Ben Fine argues that while the non-economists at the Bank embraced the concept of social capital in the institution, thus answering their own need to appear less anti-state and more social, the social capital agenda was hijacked by the economists within the Bank (cited in Ponthieux 2003: 56).

Harriss' (2002) extensive investigation of the World Bank's enthusiasm for the concept of social capital however, clearly demonstrates that the Bank's analysis is deprived of its political dimensions. As such, social capital serves as a technical response to social issues that are highly political by bypassing questions that are linked to notions of rights and social justice. Harriss states that the Bank's take on social capital:

[...] systematically evades issues of context and power. [...] this mystification serves the political purpose of depoliticizing the problems of poverty and social justice and, in elevating the importance of ‘voluntary association’ in civic engagement, of painting out the need for political action (Harriss 2002: 12).

In fact the appeal of the concept is potent for all disciplines as it gives an important role to non-market elements, while also providing for an affordable solution to social problems that do not involve a challenge to the existing power structures (Ponthieux 2003: 10). Mayoux’s (2001) findings on social capital and micro-finance in Cameroon are quite illustrative. She warns that if the complexities of power relations and inequality are ignored, ‘reliance on social capital as a mechanism for reducing programme costs may undermine programme aims not only of empowerment but also of financial sustainability and poverty targeting’ (2001: 435). A fundamental issue linked to the increasing credential given to social capital is that poor people could be made responsible for the weight of their own poverty. One may argue that while investing in social capital rather than universal welfare programs, the burden of the poor rests on the existence of a vague network which, if maximized, could become a ladder to get out of poverty. Jayasuriya illustrates this in the context of the necessity to manage the rise of unemployment following the Asian economic crisis:

Political management of unemployment was as much an ideological experience as a policy venture mainly because the intent of many of these social programs was to shift the burden of unemployment on to communities or individuals. [...] Therefore, building on notions such as social capital or community empowerment, social programs have had the effect of turning unemployment from a social issue or a social problem to one of social conduct (Jayasuriya 2003: 2).

The intrinsic underlying argument is that poverty can be understood in terms of dysfunction rather than power relations. With this angle in mind, attacking poverty would therefore be a technical endeavour which could indeed be strengthened by technical participation from civil society and governments alike. Weber’s (2005) extensive study of micro-credit schemes within the new aid architecture is a compelling example of the new technocratic rationality in addressing poverty. Contrary to other poverty reduction approaches microcredit – which is the provision of small loans to individuals usually within groups as capital investment

to enable income-generation through self-employment (Weber 2005: 14) – is embedded in a commercial framework. Weber concludes that in such light: ‘poverty and social experiences of inequality are not conceptualised in *social* and *relational* terms, but rather, as the consequence of unfulfilled market potentials’ (2005: 22). The technical turn towards emphasising the role played by local organisation and ‘self help’ is thus remarkably convenient, as further argued by Harriss, as it may justify implementing large-scale public expenditure cuts (2002: 7).

Conclusion

Nestled in the stronghold of New Institutional Economics, the new aid architecture’s overarching influence on aid allocation and debt relief suggests that the neo-liberals have indeed found a way to institutionalise the market ideology within the developing state. Building on the gains of the structural adjustment period, the Bank has promoted mechanisms deep within the state architecture in a way that any effective challenge to the neo-institutional reforms might prove difficult. As such, it is not the retreat of the state that the Bank is reaching for, but rather the transformation of state functions in a way that undercuts its ability to mediate, regulate or mobilise in favour of its citizens.

As illustrated by the analysis of the PRS experience, the Bank’s recent interest with civil society has to be seen as a complimentary process to implementing regulatory neo-liberalism. The PRS participatory experiences indeed revealed multiple flaws, raising serious doubts over the Bank’s intention to foster genuine ownership at the local level. It was argued that the strict focus on the technical aspects of the participatory process in PRS is hiding the overarching political roots of the current emphasis on participation. Two issues have been key to the argument, one linked to the limited PRS content opened to CSO consultations and one linked to the limited possibilities for these consultations to influence the content of a final PRSP.

While the participatory agenda is undeniably a direct answer to the Bank’s legitimacy crisis, the IDM’s social narrative serves as a powerful tool for managing civil unrest within countries under reform, something the Washington Consensus had failed to address. As such, the Bank’s embrace of specific segments of society opens the door to a particular approach based on public choice political economy. Its main concern is more about reshaping the behavior of individuals within institutional and

governance mechanisms rather than restructuring power or distribution of wealth. In direct contradiction to the ownership narrative, this move to participation is therefore not an invitation to popular rule but rather embodies a highly functional role for civil society within the terms of free market agendas. In fact, it represents a contraction of political spaces in PRS countries in order to embed neo-institutional liberalism at the local level.

Beyond the technical intricacies of the transformation of the international aid architecture, the consequences of the implementation of the participatory agenda, combined with the consolidation of the technocratic state, raises serious concerns linked to democracy and rights. This is addressed in the following chapter.

Notes

- ¹ See for example Davis 2004; Bebbington, Guggenheim, Olson and Woolcock (2004).
- ² See for example Whaites 2000; EURODAD 2001b; Oxfam International 2001; Wilks and Lefrançois 2002; Wood 2004; Jones and Hardstaff 2005.
- ³ Part of this chapter was published in a different form in Hatcher, P. (2006) 'Partnership and the International Aid Reform: Challenging Citizenship and Political Representation', in D. Stone and C. Wright (eds) *The World Bank and Governance: A Decade of Reform and Reaction*, pp. 189-206. Routledge: New York.
- ⁴ Davis was the Director of *Social Development* at the Bank from 1997 to 2000.
- ⁵ Civil society, of course, is a contested concept and it answers many definitions, as discussed here in the case of the World Bank. For the purpose of this contribution, Biekart's (1999) definition is adopted. He defines civil society as 'an intermediate association (public) realm between state and its citizens, populated by organizations which are separate from the state, enjoy autonomy in relation to the state and are formed voluntarily by members of society to protect or extend their interests or values' (Biekart 1999: 58). For an extensive discussion on the concept, also see Edwards (2004).
- ⁶ On the subject, see Nelson 2006.
- ⁷ Fowler explains that 'in addition to a separation between formal and informal arrangements, a distinction is made between member-serving and third-party serving organisations. An important consequence of these distinctions is recognition that the category CSOs extends far, far beyond the non-governmental organisations typically involved with development assistance. In addition, local civic

institutions established by people who are poor typically rely on social norms and conventions for their functioning, not the law' (Fowler, Interview May 16, 2009).

⁸ Further reading on the evolution of the concepts of civil society and NGOs at the Bank, see Davis 2004; Nelson 2006; World Bank 1985, 1989.

⁹ The analysis of the PRS participatory experiences provided in the following section is based on a wide range of sources: academic research; bilateral and multilateral donor analysis; the Operation Evaluation Department (the independent branch of the World Bank which is now called the Independent Evaluation Group); Civil society Networks and policy advocacy campaigns. For a more extensive methodological discussion, refer to chapter one.

¹⁰ Let us recall that PRS are conditional for HIPC to have access to any debt relief or concessional loan.

¹¹ The European Network on Debt and Development (EURODAD) is a network of 54 NGOs from 17 European countries working on issues related to debt, development finance and poverty reduction.

¹² These are Broederlijk Delen (Belgium), CAFOD (England and Wales), Caritas (Spain), Caritas (France), Secours Catholique (France), Caritas Italiana (Italy), Catholic Relief Services (USA), Center of Concern (USA), CCFD (France), Cordaid (Netherlands), Development and Peace (Canada), Action de Carême, (Switzerland), Koordinierungsstelle (Austria), Misereor (Germany) and Trócaire (Ireland).

¹³ Also known as the Poverty Eradication Action Plan.

¹⁴ For a review of the debate, see Wood 2004 and Curran (2005).

¹⁵ See for example Molenaers and Renard (2006).

¹⁶ For a thorough analysis of the Bolivian case, see Jong, Aguilar and Komives (2008).

¹⁷ These are strict monetary policy, strict fiscal policy, trade liberalisation, privatisation, water privatisation/greater private sector involvement in water supply, investment deregulation, capital account/financial liberalisation, agricultural liberalisation, increased labour market flexibility.

¹⁸ I-PRSPs were studied in the case of the countries that had not yet completed their PRSPs.

¹⁹ As of October 2008, these were Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Republic of Congo, Cote d'Ivoire, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Tanzania, Togo, Uganda, Zambia.

²⁰ See for example EURODAD 2001; Jones and Hardstaff 2005; Oxfam International 2001a, 2001b; Save the Children Fund 2001; Wood 2004.

²¹ For a review of the debate, see Fine (1999).

²² In the WDR *Attacking Poverty*, the Bank underlines that social capital: 'has its dark side, however. Where groups or networks are isolated, parochial, or working at cross-purposes to society's collective interests (gangs, drug cartels), the social capital within them serves perverse rather than productive purposes, undermining development'. It further states: 'And in India, for example, obligations to family members and pressures to fulfill community expectations lead many young girls to drop out of school' (World Bank 2001a: 129).

²³ On the one hand, the Bank does warn against the over use of the concept of social capital but on the other hand, the importance it gives to the concept, whether on its website or in the sheer amount of research it has done on the subject. Ponthieux' analysis on the subject is revealing. She provides a thorough review of the different approaches to the concept over time within the Bank itself (Ponthieux 2003).

6

The Politics of Entrapment: The IDM's Neo-populist Agenda

Neo-liberals, radical democracy supporters and even conservatives find themselves using the same political vocabulary, in which civic and correlated concepts such as civil society, citizenship and participation are central. Far from expressing a genuinely consensual view, this apparent homogeneity stems from the fact that this pseudo-unanimity conceals conflicts and dilutes disputes between different political projects, creating confusion, distortion and misperceptions.

(Dagnino 2008: 27)

Introduction

As the IDM represents a clear attempt to put certain segments of civil society at work to tackle the resistance against neo-liberal policies, this chapter addresses the impact of such objectives on the democratic regime of countries under reform. In short, this final chapter¹ seeks to provide an overall understanding of the possible meaning of the IDM in terms of political representation.

If the participatory agenda has offered new opportunities for different actors to participate in their country's PRS, not all members of society have been granted a seat at the table. Participation therefore, is effectively an instrument by which some groups are given access and others are being marginalised. In this chapter, a special attention is given to the striking absentees of the participatory process: Members of Parliament (MPs). More specifically, it provides an analysis of why parliaments have overwhelmingly been bypassed in the PRS process and interestingly, how they have come to be replaced *de facto* by certain segments of civil society.

The main argument guiding this chapter is that the Bank's endeavour to directly involve specific segments of civil society through direct participatory mechanisms is an attempt to bypass representative politics and parliaments. The correlation of the IDM's narrative and practices in promoting what will here be argued to be *neo-populism*, demonstrates that the IDM seeks to curtail the realm of political society. The IDM's neo-populist underpinning will be shown to be an essential element of the neo-liberal agenda and tactics. In turn, such attempt to embed new modes of authority and sources of legitimacy in countries under reform brings forth key issues linked to the very idea of citizenship and political rights.

This chapter is divided into four sections. The first part provides an analysis of the different definitions of the concept of civil society and how defining such notion is directly influenced by how the state is defined as well. Following this, the problematic of replacing existing representation structures such as the institution of parliament with a participatory process based on the illusive civil society is analysed. In the third part of the chapter, it is argued that the anti-democratic sentiments evident within the IDM has resulted in ambivalent attitudes towards the representative process within second and third generations of PRS. It will become apparent, in the second generation of PRS, that there has been a gradual shift in the Bank's take on the involvement of parliamentarians. While MPs were once defined as problematic and unmanageable, more recent World Bank documents now define them as new allies against corruption and a source of legitimacy for the reforms. In addressing such recent shifts in the Bank's perception of parliaments, the last section of this chapter offers a discussion on the issue of political representation in the IDM.

6.1 The Politics of Entrapment: Civil Society vis-à-vis the State

If the IDM does introduce important roles for civil society that transcend a mere cosmetic attempt to provide legitimacy, these changes nevertheless have political ramifications for the exercise of state authority. In this section, it is argued that civil society's new roles, as analysed in the previous chapter, imply a new view of civil society which is closely linked to neo-populism – here defined as a form of rule that seeks to bypass

existing political arrangements and to introduce new forms of social contract to stakeholders.

It is well established that civil society is a very elusive concept². It has many definitions and serves the purpose of various political interests. Everyone across the political spectrum – from the far right to the far left – has been embracing it. As observed by Edwards:

Conservatives see associations as vehicles for rebuilding traditional moral values while progressives see them as vehicles for rebuilding whole societies, and the world. [...] Increasingly, it seems, voluntary associations are expected to organize social services, govern local communities, solve the unemployment problem, save the environment, and still have time left over for rebuilding the moral life of nations (Edwards 2004: 19).

Defining the concept of civil society is therefore rarely a politically neutral exercise. While the Left traditionally used civil society as a collective noun to represent the poor and oppressed, neo-liberals have frown on the concept all together, preferring to deal with individuals operating within a series of voluntary transactions. On the one hand, such individuals may constitute a progressive and self-reliant force that flourishes without the state while on the other hand, they may form predatory coalitions in search of rents. Such dual analysis of civil society by the neo-liberals³ remains the key to understanding the ongoing contradictions emerging from the PRS experiences. The Bank's choice to make civil society's participation one of the main pillars of the IDM reflects the newly pragmatic approach adopted by the institution. It reflects the difficulties faced by the Bank in imposing markets and 'good governance' throughout the 1990s and the need to implement a strategy to capture, co-opt and mobilise civil society behind the market agenda.

As underlined by Biekart, there are two main questions that one should ask in order to unpack the concept of civil society: who belongs to it and what are its properties (1999: 32)? While the emphasis is most often given to the positive functions of civil society, such as their abilities to better reach the poorest and to represent them, these organisations also have important downsides. As it became clear in the study of the participatory process of civil society – commonly reduced to 'NGO' participation in the PRS – the fragmentation of CSO membership sheds doubt on their representative nature: What voices do they represent? What accountability structures do they really have? In reality, CSOs are

extremely diversified and they also face accountability problems and legitimacy crisis.

While granting legitimacy to the reform process, donors have also come to depend on CSOs technical functions in the development industry, as argued in the previous chapter. However, in such a context, the 'representative' nature of CSOs has to be questioned. As Paul (1996) – the Executive Director of Global Policy Forum – observes in his discussion of the World Bank 'partnerships' with CSOs, there are important concerns that, with its enormous wealth, the Bank is able: 'to "buy" small grassroots organisations in the South, to gain legitimacy for its projects' (Paul 1996). One might recall that donors' interest in civil society emerged out of the troubled waters of the early 1990s, when they finally addressed the governance predicament of the states under reform. NGOs then became a way to channel donors' moneys away from corrupt bureaucrats and failed institutions.

Notwithstanding bilateral aid and international NGO support, Bank-funded projects involving NGOs rose steadily over the past decade, from 21 per cent of the total number of projects in fiscal year 1990 to an estimated 72 per cent in fiscal year 2003 (World Bank 2008a). Furthermore, the Bank developed a number of programs to promote Bank-NGO collaboration – such as social funds, NGO contracting, grants, etc.

Beyond their obvious financial dependence on foreign donor agents, CSOs – including of course NGOs – do not necessarily have accountable structures and their membership often remains difficult to assess⁴. Furthermore, CSO employees may sometimes adopt a certain position simply to seek more funding or maintaining it. As observed by Carroll during the participatory process in a Country Assistance Strategy: 'NGOs were vocal at the CAS meeting and they present a position that they know what's going on. But they have an interest. NGOs don't want to break down the problem' (Carroll 2007: 620). Not only do NGOs often choose to act in a way which they know will please their funding partners but they also have an unspoken interest in a specific problem to continue in order for their source of funding to be maintained. In their study of the PRS process, Molenaers and Renard observe:

And not to forget, creating wide debate within civil society, with the prospect of becoming an interlocutor for the donor community and the government, can wet the appetite of ambitious civil society entrepreneurs, re-

sulting in clashes of interest, both ideological and material, among poorly organized and often autocratically managed pressure groups, NGOs, trade unions, human rights groups, and the like. (Molenaers and Renard 2006: 16)

This point further relates to the greater debate on the ‘NGOisation’ of development⁵ which refers to the politics of development NGO proliferation in the last decades⁶. In her extensive study of civil society building in Africa, Hearn observes that bilateral and multilateral donors have contributed, throughout the 1990s, to build a very specific kind of ‘civil society’:

[...] foreign support to civil society in all three countries [Ghana, South Africa and Uganda], is not about the breadth and depth of actually existing, largely rural based civil society. Donors are not funding the popular sector of society, but are strengthening a new African elite committed to the promotion of a limited form of procedural democracy and structural-adjustment-type economic policies in partnership with the West. The sixty or so organizations that I identified as donor-funded form the core of the kind of liberal civil society that is being ‘socially engineered’ in Africa (Hearn 1999: 4).

While the new development model is presented under the umbrella of inclusiveness, it seems that, in practice, it might actually do the exact opposite. As argued by Harriss, there is a ‘dark side’ here as CSOs can also be rent seeking: ‘A moment’s reflection shows that ‘social capital’ for one group of people may constitute ‘social exclusion’ for others [...]’ (Harriss 2002: 8).

The World Bank’s approach to civil society is highly depoliticised both in terms of its composition and its political function. On the one hand, the Bank reduces civil society’s legitimate composition – only the poor are legitimate interlocutors, non-poor voices are disregarded – and on the other hand it confines civil society’s participation to a very specific areas of debate (Lafortune 2003). Hickey and Mohan suggest that there are many problems associated with the current involvement of CSOs, the first being their ‘confused status between civic, public and private institutional spheres’ (Hickey and Mohan 2005: 241). In redirecting the state’s traditional function as provider of rights (civil, political and socio-economic), it is now civil society that is increasingly entrusted with the responsibility for promoting the common good. As Kamat un-

derlines, there has been a curious shift in who bears the legitimacy of such responsibility:

In a curious flip-flop of what served as a universal conceptual frame for development planning, the state, today, is represented as fragmented by private interests (otherwise referred to as corruption), and hence inept at representing the will of the people, whereas civil society is seen as the honest broker of 'the people's interests' (Kamat 2004: 160).

This all derives from the neo-liberal view of the state (with its roots in modernisation theory of the 1960s) as ideally a neutral adjudicator of competing demands, implementer of policies that provide the common good – a highly abstracted and technocratic interpretation of its role and power. The entry of CSOs into the equation can thus be seen as a reaction to a breakdown of state capacity after more than two decades of neo-liberal policy reform. While the attention now paid to CSOs is intended to address the effects of drastic economic medicine prescribed by the IFI in the last decades⁷, it also potentially undermines CSO functions in the very framework within which they are integrated. Furthermore, the idea of CSOs as an alternative to the existing state opens to door to chaos and uncertainty. The idea that CSOs can be more efficient and cheaper in providing services than the state remains questionable however. As argued by Van Rooy: 'Policies that promote civil society organizations to the detriment of functioning state services may do no one any favours' (Van Rooy 1997: 17).

It is revealing that organisations with a strong political mandate – such as trade unions and members of parliament – are often noticeably absentees from the PRS process. In fact, civil society – or rather elements of it – is given a voice in what are essentially technical matters of implementation. On this point, Easterly (2002) observes that the participation chapter of the PRSP *Sourcebook* fails to mention: 'the possibility that the poor might have different interests than the political elite, nor that different groups among the poor might have conflicting interests' (Easterly 2002: 46). While a small proportion of society is given a voice on matters that do not influence the organisation of power, concepts of rights and democracy are subsumed, together with the representative role of parliaments and political parties. This is the subject of the remaining sections of this chapter.

6.2 The Ambiguity of Ownership: Parliaments and the PRS Process

The growing trend towards the co-option of CSOs within the new aid architecture brings forth the question of democratic representation within countries under reform. There is indeed a greater agenda which appears to be intrinsically rooted at the very core of the IDM's philosophy which is linked to *neo-populism*. It is here argued that the Bank has chosen the path of technocratic populism rather than helping to build effective democracies in countries under reform. Such thesis is argued in the following sections, first by addressing the role assigned to the institution of parliament in the PRS process and then by tackling the implications of such roles on the very idea of democracy and citizenship.

Shifting toward IDM in the late 1990s, the Bank's narrative became highly focused on 'country ownership' and 'participation' and national parliaments gradually received more attention. In fact, while the World Bank has done some capacity building work related to parliaments since 1995, it is the Comprehensive Development Framework and the following PRS that prompted the institution to give greater attention to parliaments:

Since the late eighties, a wave of democratization has swept the world. [...] With that dramatic rise [of elected democracies] comes a marked increase in the number of elected officials [...]. It's an impact that has not been overlooked by the World Bank. 'Development clearly works best when the process is country-led and based on partnerships', says World Bank president James D. Wolfensohn. The World Bank strongly encourages parliamentary involvement in the development process. [...] In keeping with this global expansion of parliamentarians, the World Bank has stepped up the ways in which the members of parliament and Bank staff can exchange information and gain greater understanding of the impact of development – both at a local and global level (World Bank 2006b).

Today, the World Bank's programs toward parliaments are initiated via three central sources: the Development Policy Dialogue Team, the World Bank Institute (WBI) and the capacity building programs, country offices and country teams. They are also reflected in the Bank's support for partnerships and programs more generally⁸. These initiatives are defined by the Bank as the institution's official attempt to open up a debate with broader constituencies (Bas, Interview November 17, 2006). According to Jean-Christophe Bas, the Manager of the Development Policy

Dialogue at the World Bank, the Bank has become a 'dialogue facilitator' for a greater involvement of MPs in the development process (Interview November 17, 2006).

However PRS experiences have so far shown little participation of parliamentarians in the process, a fact that Alan Gelb, Director of the Development Policy at the World Bank openly acknowledged⁹ (Interview September 18, 2006). Eberlei and Henn's analysis of the PRS experience in Sub-Saharan Africa concludes that: '[...] little attention was given – in either theory or practice – to the people's representatives, the parliaments' (2003: 27). World Development Movement concludes that the participation of MPs has been limited in more than 26 countries (Jones and Hardstaff 2005: 18).

In the majority of the PRS cases where parliaments were indeed involved, the participation was limited to a few MPs participating in workshops, without a link to the institution of parliament itself¹⁰. Other organisations such as the Overseas Development Institute and the European Commission have also expressed concern regarding the relative failure to involve parliaments in the PRS process (Leautier 2002: 180). Gould and Ojanen's findings on Tanzania are more than revealing of such trend as they observe: 'In fact, most parliamentarians interviewed for this study had never heard of the PRSP' (Gould and Ojanen 2003: 94).

This lack of attention to the legislative branch in the PRS process is customarily explained by the fact that parliaments often face fundamental constraints of all sorts that hamper their representative, legislative and oversight functions. As summarised by the Swedish International Development Cooperation Agency, these failures are often linked to the: '[...] lack of technical expertise, the lack of funds, and the lack of access to information' and 'last, but hardly least, whether parliamentarians have the political will to use their oversight functions' (SIDA 2002: 24). It is indeed undeniable that parliaments' institutional weaknesses are often linked to the scarcity of resources and lack of institutional infrastructures such as electoral commissions, ombudsmen, parliamentary oversight committees, highly-trained civil servants in both central and local government, police forces, schools, and accessible, impartial judicial systems (Commonwealth Secretariat 2003: 12). One might observe however that some of these deficiencies have paradoxically been directly weakened by

more than twenty years of structural adjustment programs in many African countries.

Crucially, donors disinterest in parliaments in the last decade is undeniably linked to neo-patrimonial tendencies of many parliamentarians¹¹. Politics is often linked to patronage by which well-connected individual voters expect a direct form of assistance from their MP, which translates into a patron-client form of politics (UNDP n.d.), or as Bayart (1992) coined it 'la politique du ventre'. Eberlei and Henn argue that Africa is plagued by *neopatrimonialism*, which symptoms are: '[...] presidentialism, clientism and the use of state resources for the purposes of political legitimisation. In many African countries, members of parliament in particular are still tainted as being part of the system of organised political patronage' (Eberlei and Henn 2003: 21-14).

There is no doubt that MPs long lasting record of predatory behaviour has been endemic in many countries under reform, notwithstanding parliamentarians' chronic lack of capacity. However, in opting to bypass parliaments altogether, the PRS model has been facing a crisis in legitimacy, as analysed in the following section.

6.3 Acknowledging Parliaments

In this section, the Bank's recent initiatives to mainstream parliamentary involvement in the PRS process are analysed. After an assessment of the new IDM's narrative on parliamentarians, an analysis of the specific role it now envisions for the formerly marginalised actor is provided.

The World Bank has increasingly acknowledged its failure to emphasise the important role parliaments could play in the PRS process. At the heart of the problem was the fact that PRS were facing an immediate legitimacy crisis linked to the obvious failure to involve the representative of the people within the so-called participatory process. For Leautier, the Vice President of the World Bank Institute, the ownership imperative does serve to: '[...] avoid potential criticisms that policies and priorities are being imposed by the Washington-based institutions' (Leautier 2002:179). Furthermore, as NGOs and international advocacy groups are closely monitoring the PRSPs progresses, parliaments in all logic, must be included in the participation process if the initiatives are to be promoted as being 'owned' by the country. This has been reflected in a report for parliamentarians as well:

Overall, though, the role of Parliaments in the PRS process has been limited. This has proved to be a cause for concern for many development partners. Several World Bank reports have raised the issue along with a number of development partners such as the Utstein Group of bilateral donors (the United Kingdom, Netherlands, Germany, and Norway) and the European Union. Individual parliamentarians also have raised this issue (Chevalier, Kingham and Trapp 2005: 43).

In reminiscing on the first experiences of the *Parliamentary Network on the World Bank*¹², which was created in 2000, Jean-Christophe Bas recalls that there were ‘strong issues’ right from the start. Citing the Kenyan experience as an example, he evokes the tensions created by involving opposition MPs in the Network’s platform and how the Kenyan executive strongly reacted (Interview November 17, 2006). It is true that the World Bank has traditionally shied away from direct engagement in democracy promotion and legislative attention. The obvious reason for such choice is rooted in Article IV of the IBRD Articles of Agreement, which clearly emphasises the apolitical nature of the institution¹³. As such, channels between Bank staff and reforming countries government have traditionally followed the executive branch. And as argued in the previous section, CSOs in a way had become a means of addressing the democratic deficit of bypassing parliaments.

However, there is now a clear shift in the Bank’s perception of parliamentarians, at least discursively. Bas’ statements are quite revealing of such fact. The Development Policy Dialogue manager indeed observes that the change on how the Bank’s staff perceived parliamentarians was ‘day and night’ (Interview November 17, 2006). This change in perception of MPs is further argued by Jean-Francois Rischard, the World Bank vice-president for Europe, who claimed that there had been a ‘revolution’ in the Bank in the last few years (reported by Bretton Woods Project 2005).

While there is a crucial change brought forth by the IDM’s focus on ownership and participation which has undoubtedly favoured a narrative focused towards parliament inclusion, the key question however remains to assess *how* exactly MP’s are now to be involved in the PRS process. In turn, such analysis sets the scene for a deeper understanding of *why* the Bank has actually now chosen to embrace parliaments in its reform process. While the Bank’s thirst for legitimacy for its backed policy reforms undoubtedly counts for an important part of its sudden interest in

MPs, an analysis of the new functions assigned to MPs in the PRS process reveals an agenda that has striking similarities with the depoliticised role assigned to civil society. It is here proposed to first look at the new roles assigned to the institution of parliament in the PRS process. An analysis of the consequences of such turn in the Bank's policies is then provided.

6.3.1 Integrating Parliaments Into the PRS Narrative

It is clear in the Bank's literature that there has been a shift in favour of engaging with MPs in the PRS process. However, in light of the IDM's instrumentalisation of the concepts of ownership and participation, it is necessary to unpack the Bank's take on parliamentarians' 'participation'. And this was precisely the point of Khalifa Ababacar Sall, a Senegalese MP and member of the Parliamentary Network on the World Bank who argued that the 'real question' about the PRS is 'why is this important to us to participate?' (Interview September 19, 2006) Sall further observes that while he agrees that the PRS proposal for MPs participation is 'an evolution' of the World Bank, he wonders if the results won't be the same as the last 25 years of failed economic policies imposed by the multilateral institution: 'we are still poor' concludes Sall (Interview September 19, 2006). While the MP does think that: 'it is time to integrate the parliamentarians in the process if you want to succeed', he emphasises the need to know what role parliamentarian are to play in the process of policy formulation (September 19, 2006).

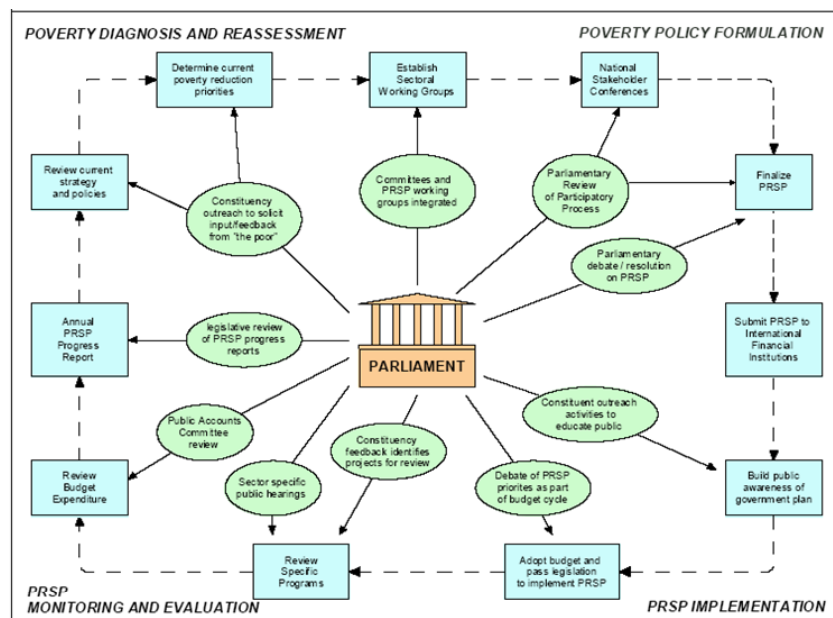
A key element of the Bank's take on parliamentarians' involvement can be found in the *Sourcebook for Poverty Reduction Strategies* to which the Bank has recently added an annex (Hubli and Mandaville 2004) specifically dedicated to parliaments. Let us recall that the *Sourcebook* is a compilation of chapters that details the views of the Bank and the IMF on the PRS and intended as a guide for countries in strengthening their development strategies. Although the Bank asserts that the *Sourcebook* is intended to be only suggestive, it also states that it reflects the 'thinking and practices associated with the Comprehensive Development Framework, the *World Development Report 2000/2001*, good international practices related to poverty reduction, and emerging experience about the effective design and implementation of PRSPs (World Bank n.d.: vii). In this respect, the addition of an annex in the *Sourcebook* specifically dedicated to parliaments should leave no doubt about the Bank's attempts to

amend its former minimalist view of legislatures in the PRS process. The annex indeed recognises the pivotal role they should play:

Under most constitutions, legislatures are the most representative element of a country's national government. Although in some cases this representative potential has been latent or underutilized due to political conditions or lack of resources, parliaments remain an obvious mechanism for encouraging poor people's input into national poverty reduction policies and ensuring cooperation from a variety of political actors. The representative responsibilities of parliament, as assigned by each country's constitution, provide a greater level of ownership and legitimacy than other participatory methods, such as stakeholder workshops (Hubli and Mandaville 2004: 13).

As shown in Figure 6.1, the annex strives for greater involvement of parliaments in all four components of the PRSP cycle – i.e. poverty diagnosis, development, implementation process and finally, monitoring and evaluation of the PRSP.

Figure 6.1
Possible Mechanisms for Parliamentary Engagement in the PRSP Cycle



Source: Hubli and Mandaville 2004: 5.

In terms of poverty diagnosis, the *Sourcebook* focuses on parliamentarians' capacity to 'provide the only political representation for large numbers of citizens from specific geographic or demographic constituencies' (Hubli and Mandaville 2004: 7). Under the rubric of contribution to development of the PRSP, the *Sourcebook* states that a greater involvement of MPs could build consensus on PRSPs and thus 'pave the way for smoother implementation over time'. According to the *Sourcebook*, such involvement would not only result in a greater national ownership of the PRS process but would also provide the PRSP with an existing body of politically active national leaders and staff of varying skill levels and interests (Hubli and Mandaville 2004: 8). As for the PRSP implementation level, the *Sourcebook* calls for parliamentary involvement at three levels: budget allocations, legislation and educating the public about PRS processes, programs, and impact. It is stated that parliamentarians' main task should be to align national legislation with PRSP priorities, approve PRSP-compatible budgets and pass PRSP-relevant legislation (Hubli and Mandaville 2004: 12). The fourth and final component of the PRSP cycle – monitoring and evaluation – emphasises the role of Committee hearings on the impact of PRSP, an annual review of the PRSP Progress Reports.

The World Bank's renewed attention to parliaments warrants some caution. In his thorough analysis of the *Sourcebook's* annex, Youash observes that the suggested take on legislature has thrown the Bank's position from one extreme to the other, from a 'Rubber stamp legislature' to a 'Transformative legislature' (2003: 13). The key point to note is that if the Bank's previous framework gave few possibilities for legislatures to influence or debate the issues at hand, the annex propels legislatures – at least theoretically – towards its rarest type; one where bodies are capable of both representing and shaping societal demands (Youash 2003: 13). However, as stated by Johnson and Nakamura (1999), this type of legislature is rather uncommon as it aims not only to represent but also to lead. This requires a specific structure not only capable of dealing with differences, but that is equipped with information capacities permitting the initialisation of policies as well. Youash observes: 'Not surprisingly, there are not many examples of such legislatures, and those that do exist do not always live up to the requirements' (2003). While the *PRS Sourcebook's* annex on parliaments does contradict such an interpretation, Youash further observes that the document mentions no implementa-

tion processes, an omission that clashes with the surgical attention the executive branch receives in the area of public expenditure in the *PRS Sourcebook*:

The difficulty with this leap [of the World Bank] is that no detailed road map is provided for such a transition and more importantly, no guiding logic is provided for making such a shift. [...] What is generated by such an approach is a rather hobbled together set of prescriptions with little substantive reasoning behind them and a seemingly naïve hope that demanding such a role of parliament will immediately necessitate its capacitation for fulfilling the proposed functions (2003: 14).

A clear conclusion here is that the Bank's outreach to MPs is motivated by a need for bringing some legitimacy to the PRS process. Manish Bapna – Executive Director of the Bank Information Center – observes that the Bank had to recognise that its failure to reach out to parliamentarians was 'a real and honest threat' (Interviewed October 15, 2006). Bapna further argues that in the midst of a 'strong interest to reclaim the national policy space', the Bank's attempt to enter the national stage without the authority of doing so is the institution 'Hercules heel' (Interviewed October 15, 2006).

The key question however remains to ask how exactly the Bank is bringing parliamentarians on board. Here the *PRS Sourcebook* suggests that MPs participation could be better understood via the narrow window of governance oversight in which parliamentarians are indeed invited to play a greater role. Beyond the Bank's enthusiastic narrative, this is a technical and depoliticised role that narrowly fits governance and anti-corruption objectives. Such analysis of the *Sourcebook* sets grounds for further questioning on the apparent apolitical nature of the IDM's interest in the institution of parliament.

6.3.2 Co-opting Parliaments

This depoliticised integration of MPs in the second and third generations of PRS may be further understood as a means to manage the veto gates that they represent within the PRS process, as argued in this section. As such, this new enthusiasm towards MPs represents an attempt to co-opt the institution of parliament in favour of the reform process.

During an interview with Jean-Christophe Bas (Interview November 17, 2006), who actively contributed to the creation and the design of the *Parliamentary Network on the World Bank*, it became clear that the Bank had

realised that bypassing MP's was becoming a greater problem than not involving them. Beyond the legitimacy predicament caused by having failed to involve the institution of parliament in the PRS process, the Bank came to realise that MPs represented a significant veto gate to the reform and that as such, they needed to be managed. Bas observes that MPs in the past would only be in contact with the World Bank in case of crisis, a fact 'which is not very conducive' (Interview November 17, 2006). Furthermore, the Bank's recent interest in parliaments is overwhelmingly linked to the very concrete fact that MPs in many countries have to vote on PRSPs. On the subject, Bas underlines that:

MP's are decision makers. They represent a growing force in many countries. [...] some parliamentarians have to approve the Bank's loans which means that if a country director is confronted by a parliament that is reluctant to the reform, he is in a bad shape' (Interview November 17, 2006).

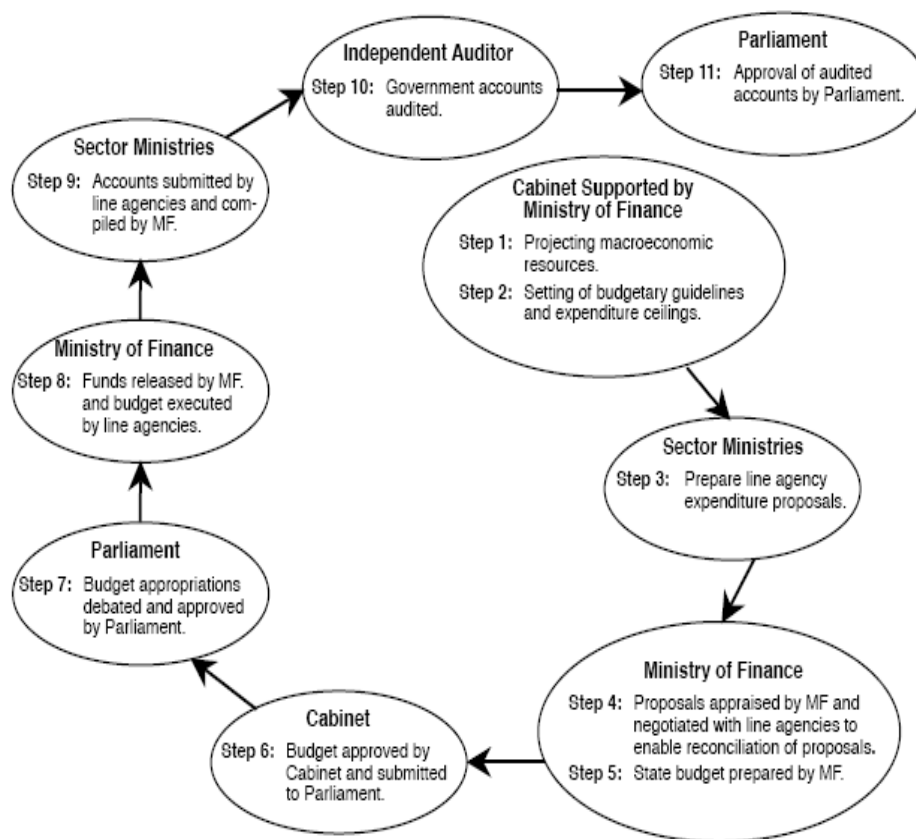
An obvious example of the problematic linked to the failure to involve MPs in the PRS process is the fact that in some countries, PRSPs have bluntly been anti-constitutional (Jones and Hardstaff 2005; Action Aid and coll. 2005). This is because PRS indeed often require secondary legislation to be passed. Let us recall that PRSPs are meant to direct a reforming country's policies for three years. Following an analysis investigating the role played by parliaments during the implementation of PRS in 28 African states, Eberlei and Henn state that the marginal role played by parliaments in Sub-Saharan Africa in PRS had indeed in some cases, breached explicit constitutional rights (2003: 9).

A greater involvement of parliamentarians throughout the PRS process would thus increase the chances for parliamentarians' endorsement if and when PRSPs are submitted to legislatures. As observed in the *PRS Sourcebook*: 'A parliament that has already played an active role in the diagnosis and development of its PRSP will be better able to coordinate such legislation' (Hubli and Mandaville 2004: 14).

With this in mind, an analysis of the *PRS Sourcebook* is quite revealing. It is indeed evident that the *Sourcebook's* proposals for MPs involvement in the budget cycle is tailored precisely to manage the actors' tasks in the PRS process. The *Sourcebook's* chapter on 'Public Spending' outlines the Bank's given 'good practices in budgeting and public financial management in the context of implementing affordable pro-poor poli-

cies' (Fozzard et al. n.d.: 189). It identifies eleven steps in an 'idealised' budget cycle, as shown in Figure 6.2.

*Figure 6.2
The Budget Cycle*



Source: Fozzard et al. n.d.: 192.

Out of these eleven steps, eight require solely the executive to act in policy formulation, one allows for the Auditor-General to review the government's accounts, while the parliament's role in the budget cycle is relegated to the two remaining stages – i.e. steps seven and eleven (Youash 2003: 4). While these given functions are indeed important, they are however quite reductive as parliament's role remains marginal and

deprived of any meaningful political contribution. In their study of the Tanzanian PRS process, Gould and Ojanen's do observe that the budget process is: 'an aid-conditioned exercise where the structures of power created by the iron triangle between donors, government and non-state actors leave the parliament without a proactive role' (2003).

The obvious similarities amongst the content of PRSPs in reforming countries suggest that the influence of stakeholders – both civil society and MPs – has been quite limited, a trend that might not change with an increased parliamentary involvement in the process, especially not a technical involvement as experienced in the last PRS. Hickey and Mohan's article on politics and participation is here important to mention (2005). The authors argue that:

[...] participatory approaches are most likely to succeed: (i) where they are pursued as part of a wider radical political project; (ii) where they are aimed specifically at securing citizenship rights and participation for marginal and subordinate groups; and (iii) when they seek to engage with development as an underlying process of social change rather than in the form of discrete technocratic interventions [...] (Hickey and Mohan 2005: 237).

A clear conclusion is that while the PRS endeavour warrants a greater MP involvement, it is not on the basis of their political input as representatives of the people. When apposed to Hickey and Mohan's given success criteria for participation, one can conclude that MPs role in the PRS is in fact better understood as technical facilitators for the reform process. This brings forth the question of the legitimacy of a participatory process that neglects the democratic channels already in place. In a brief authored by a coalition of NGOs and parliamentarians, it is observed that:

Governments are supposed to lead the PRSP process, with the active participation of parliament and civil society. However, parliaments are regularly sidelined and key decisions regarding economic policies are often deliberately excluded from this process. Frequently, parliaments and the public are not even aware of conditions that will have massive implications for their society. Worse still, the World Bank and IMF continue to over ride the express wishes of sovereign parliaments, undermining already fragile democratic processes and public faith in them (All Party Group on Heavily Indebted Poor Countries 2004: 1).

Experiences have revealed that even when MPs had indeed voiced their concerns regarding certain policy reform backed by the executive

and the IFI, such concerns had rarely been taken into account. World Development Movement documented several examples of parliamentary opposition to IFI policies in Bangladesh, Cameroon, Georgia, Ghana, Honduras, Kenya, Kyrgyzstan, Malawi, Moldova, Mozambique, Tanzania, Uganda and Zambia¹⁴ (Jones and Hardstaff 2005: 28).

As such, Jean-Francois Rischard's – the World Bank vice-president for Europe – claims that there has been a 'revolution' in the Bank in the last few years in regards to MPs perception, take another meaning (reported by Bretton Woods Project 2005). Rischard argued that 85 per cent of country staff reported meeting with parliamentarians on a regular basis (cited by Bretton Woods Project 2005). However, such 'meetings', argues Bretton Woods Project, were actually *World Bank Institute's* efforts to 'train parliamentarians about how to improve their oversight role' (cited by Bretton Woods Project 2005). We are here far from a process where the representatives of the people are politically engaging in formulating their countries policies. It is therefore not without surprise to note the existence of an international petition signed by 1100 MPs. It is calling for donors to acknowledge the importance of parliamentarians' involvement in the economic policies of their respective countries¹⁵:

We therefore call on the BWIs [Bretton Woods Institutions] and their principal shareholders to ensure that the democratically elected representatives of recipient nations are the final arbiters of all economic policies in their countries. It is vital that national parliaments in recipient nations have the right and obligation to be fully involved in the development and scrutiny of all measures associated with BWI activities within their borders, and hold the final power of ratification. Ensuring the primacy of sovereign national parliaments in this way will improve implementation of measures to reduce poverty, enhance good governance, and foster democracy (All Party Group on Heavily Indebted Poor Countries 2004).

Beyond the issue of the erosion of the legitimacy of the already fragile legislature in countries under reform, the Bank's new outreach to parliaments is better defined as an attempt to co-opt MPs in playing a depoliticised role in the PRS process. As argued in the following section, this is an attempt which is embedded in the IDM's neo-populist agenda and such attempt brings forth questions linked to the very concept of citizenship.

6.4 Market Citizenship

In this final section, the IDM is assessed in terms of its impact on representative politics. It is argued that the technocratic principles embedded in the IDM's governance imperative, combined with a neo-populist take on civil society must be viewed as an attempt to transform traditional notions of citizenship.

While the IDM is being promoted in terms of ownership and participatory principles, the analysis of the mechanisms rooted in the IDM clearly demonstrate neo-populist underpinnings. Neo-populism is here defined as a form of rule that seeks to bypass existing political arrangements and to introduce new forms of social contract to stakeholders deprived of any political role. Accordingly, it is a form of civil society consultation that has become the privileged source of policy legitimacy (Gould and Ojanen 2003: 93). It is a form of rule where individuals purportedly deal directly with policy-makers rather than operate through representative structures. The quest for decentralisation and local CSO participation is a clear instrument of such form of rule. After all, the IDM's list of suggested stakeholders for participation in the PRS reveals that the Bank views MPs as just another actor within an undifferentiated pool of stakeholders – i.e. the general public, the poor and vulnerable groups, an organised civil society, the private sector, the government and the donor community. In practice, the involvement of parliamentarians in the PRS process has been limited to being part of a checklist with other government stakeholders that are consulted along with line agency departments (e.g. health, education, social welfare, roads and works), the necessary local governments, and state/provincial governments (Youash 2003: 6). The result is that an official democratic institution is levelled to other stakeholders such as CSOs.

It is interesting that the *Sourcebook* does acknowledge that MPs have a distinct ability to 'bring the input of local constituencies to the national level' (Tikare et al. n.d.: 244). Such acknowledgment combined to the analysis of the depoliticised role assigned to the MPs at the national level suggests a form of neo-populist tendencies much similar to the IDM's approach to civil society. Hence traditional arenas of political representation – such as the institution of parliament – remain marginal in terms of policy influence despite the framework's rhetoric.

The neo-populist agenda brings forth serious implications for the conceptual absentee of the new aid agenda: citizenship. Under the neo-

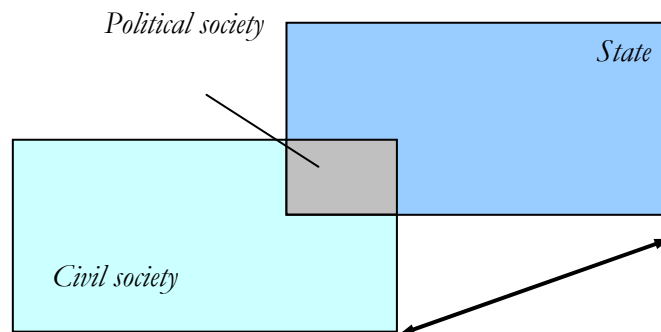
liberal model, the notion of citizenship is reduced to the technicalities of participating in the electoral process and in the market economy; a market-citizenship. Stripped from its political structure, participation is geared towards the market and, through an identity now downsized to that of producer/consumer, citizens are expected to maximize their individual interests. In such light, the ultimate right of the citizen is that of individual freedom – i.e. the state’s jurisdiction should be ‘restricted to a bare minimum as any positive role impinges on the rights of the individual’ (Taylor 1998: 24). As it was argued by Gill, the Bank’s enthusiasm for civil society participation represents an attempt to ‘legitimate a hierarchical and unequal system of representation in the making of state policy’ (Gill 2000).

The IDM here introduces a new type of ‘market citizenship’, one that does clash with the former post war social democracy model. What is key here to emphasise is thus the double transforming effect of the IDM on classical notions of rights and citizenship. The first one is linked to the neutralisation of the possible veto gates to the reform process. This is where for example we see attempts to involve MPs in the reform process but in a depoliticised way. This is also where key mechanisms of restraints are promoted deep within the state architecture, as studied in chapter four of this contribution. Gill here observes that in such a process: ‘the key areas of policy – relative to the “commanding heights” of the economy and strategy are separated from real democratic participation and accountability’. This introduces the second transforming effect the IDM has on redefining citizenship which is the idea of channelling participation away from the realm of political society. This is where certain segments of civil society become key players, as well as new social welfare instruments such as microcredit¹⁶ and the overall emphasis on building social capital. However, notions of equity and social justice are restrictively redefine in a complementary process. This is to say that the overwhelming emphasis on the privatisation and liberalisation of public services is altering what was previously accepted as social and economic rights (Campbell 2005: 20).

As illustrated in Figure 6.3, political society is this intermediate realm where actors (political parties) and institutions (election, legislature), are mediating, articulating and institutionalizing the relations between the state and civil society (Biekart 1999: 58). However, it is argued that such realm is shrinking under the IDM, as political power is being redefined

both in the state apparatus and civil society. This is to say that in focusing on civil society, rather than on citizenship, the IDM is capable to bypass the realm of political society.

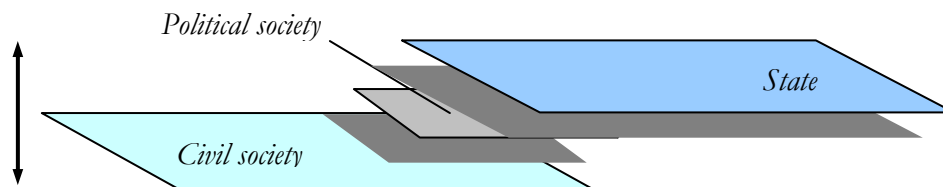
Figure 6.3
The IDM and the Contraction of Political Society



Adapted from Biekart 1999: 34.

In addition to this contraction of the realm of political society, it is here argued that the IDM can be viewed as a process which also dislocates the realm of political of society from the state and civil society, as illustrated by Figure 6.4.

Figure 6.4
The IDM and the Dislocation from the Realm of Political Society



The crux of this mutation from citizenship to civil society rooted in the IDM is the fact that the notion of rights – political, civil and socio-

economic – is de facto evicted from the stage. Here the democratic rights of citizens to influence resource allocation are replaced by depoliticised local participation schemes which position certain segments of civil society where citizens use to be the main actors.

As argued by Gill, the World Bank has developed its notion of ‘participation’: ‘to offset the limitations imposed on mass democracy in the economic realm by increasing democratic participation in other safely channelled areas’ (Gill 2000). As observed by UNRISD (2000) in a study on technocratic policy making and democratisation, there is a need to tackle the serious challenges brought forth by an increasingly technocratic governance model on democratic representation:

Pressure to standardize macroeconomic objectives encourages governments to restrict policy making to experts and insulate key economic institutions from democratic scrutiny. This may affect democratization in two ways. First, it may distort the structure of accountability by encouraging national authorities to be more responsive to financial markets and multilateral institutions than to fledgling parliaments and citizens. Second, social policies, which were crucial in consolidating Western democracies, may be treated as residuals of macroeconomic policy, and democratization that does not conform to neo-liberal economic orthodoxy dismissed as populism (UNRISD 2000: 1).

This current mutation from citizenship rights to targeting the poor depoliticizes issues closely related to power relations and resource allocation. As observed by Wood, the neo-liberal view of civil society serves the objective of sidelining the concept of class: ‘to dissolve it in all-embracing category or even any political relevance at all’ (Wood 1990: 79). At the heart of this transformation resides the highly political question of who owns the legitimate right of making demands on the state. On a long-term basis, this type of social management will indeed be less expensive for governments who already have difficulties addressing their debt service. Luxury of another era or not, this tendency puts an end to the universal programs ideal and simultaneously narrows the population’s legitimate spaces of political demands.

Conclusion

In this contribution, it was observed that while the participatory agenda has offered new opportunities for different actors to participate in their country’s PRS, not all members of society have been granted a seat at the

negotiation table. It has indeed been revealing that organisations with a strong political mandate – such as trade unions – have often been absent from the PRS process. As such, it was observed that only certain elements of civil society had been given a voice and only in what was defined as essentially technical matters of implementation.

Recent trends have demonstrated that this process has not spared MPs. While MPs were once defined as problematic and unmanageable, the institution of parliament has gradually become the object of much interest by the Bank. The Bank's thirst for legitimacy for the policy reforms it promotes undoubtedly counts for an important part of its sudden interest in MPs. As such, PRS were indeed facing an immediate legitimacy crisis linked to their obvious failure to involve the representatives of the people within the so-called participatory process.

The analysis of the mechanisms proposed by the Bank to mainstream parliaments within the PRS process has suggested that their assigned role had been restricted to a narrow window of governance oversight, leaving little opportunity to influence the content of the strategies.

In turn, such a process has revealed that the new functions assigned to MPs in the PRS process represents an agenda that has striking similarities with the depoliticised role it assigned to civil society. When juxtaposed to the Bank's endeavour to directly involve specific segments of civil society through direct participatory mechanisms, the initiative towards parliaments reveals itself to be quite problematic in terms of the possible impact of the IDM on political representation. Far beyond a mere public relation exercise, it was argued that this strategy is illustrative of the Bank's decision that it may be more effective to co-opt parliaments and certain segment of civil society within a functional, techno-managerial system, than excluding them from the entire process and thus risking future interference with PRS.

Crucially, it was argued that civil society and MPs are not seen as a political site where interests organise to capture and overthrow or reorient the state, but rather as a useful watchdog deprived of political input. While a small proportion of society is given a voice on matters that do not influence the organisation of power, concepts of rights and democracy are subsumed, together with the representative role of parliaments and political parties.

Notes

- ¹ Part of this chapter was published in a different form in Hatcher, P. (2009) 'The Politics of Entrapment: Parliaments, Governance and Poverty Reduction Strategies' in Hout, W. and R. Robison (eds) *Governance and the Depoliticisation of Development*, pp. 123-136. Routledge: New York.
 - ² On the subject see for example Biekart 1999; Edwards 2004; Van Rooy 1997; Wood 1990.
 - ³ See the work of public choice economists such as Buchanan and Tullock (1962). See also Bebbington, Guggenheim, Olson and Woolcock (2004).
 - ⁴ In fact, NGOs are often defined as having no membership. For a thorough review of the contending conceptual definitions of NGOs and civil society, see Edwards (2004) and Biekart (1999).
 - ⁵ On the subject see Edwards 2004; Hearn 2007; Van Rooy 1997.
 - ⁶ Hearn's mapping of what she coins as 'Africanization of the NGO-sector' is interesting. She observes that by the end of the 1980s it became clear that the heavy white foreign presence was politically unsustainable and this led to the indigenization of the NGO-sector in Africa. She argues that since the private sector and the state were perceived as rent-seekers, the voluntary sector, with its significant inflows of external funding, had become the place to make money (2007: 1101).
 - ⁷ On the subject, see for example Fine 2004; Harriss 2002; Hearn 1999; Jayasuriya 2001; 2006; Van Rooy 1997.
 - ⁸ **Development Policy Dialogue Team:** The Vice Presidency for Europe runs the Bank's Development Policy Dialogue Team, which is the principal point of contact for parliamentarians and parliamentary organisations at the Bank. Officially, 'it facilitates policy dialogue with elected officials worldwide and connects parliamentarians with relevant Bank units and Bank country offices and with other constituencies such as academics and youth'. Available at <http://web.worldbank.org> (accessed January 11, 2009)
- World Bank Institute:** The WBI is the capacity development arm of the Bank, which is presented as 'the world's largest source of development assistance' (World Bank 2006a 'About the World Bank Institute', World Bank website, accessed April 2006). While historically it focused on individual MPs it now focuses on 'enhancing the capacity of parliament as an institution of governance' (World Bank Institute, Parliamentary Strengthening Program Brochure). The WBI works with the Bank's country teams to integrate capacity development activities into Country Assistance Strategies. Through its capacity

building courses, the WBI has trained over 4000 MPs. The Parliamentary Strengthening Program of the WBI aims to ‘assist parliaments in playing their constitutionally designated role in governance process’.

Parliamentary Network on the World Bank: Created in 2000, the PNOWB is a network that aims to: ‘encourage policy dialogue between legislators and the World Bank and the IMF, and to mobilize parliamentarians in the fight against poverty’ (Parliamentary Network on the World Bank 2005).

⁹ Gelb observed during an interview conducted during the Singapore Workshop on the World Bank that in fact: ‘the World Bank has not involved parliamentarian in the reform process’ (September 18, 2006).

¹⁰ This was notably observed by Eberlei and Henn 2003; Gould and Ojanen 2003; Jones and Hardstaff 2005; Youash 2003.

¹¹ For a thorough review of the debate on the subject see Bayart 1992; Harrison 2006; Walle 2001.

¹² Let us recall that the PNOWB’s objectives are to: ‘encourage policy dialogue between legislators and the World Bank and the IMF, and to mobilize parliamentarians in the fight against poverty’ (Parliamentary Network on the World Bank 2005).

¹³ The article states that: ‘The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned’. International Bank for Reconstruction and Development, Articles of Agreement, Section 10, Article IV.

¹⁴ Details on these cases are available online on World Development Movement website at: <http://www.wdm.org.uk/democracy/parliament> (accessed December 17, 2007)

¹⁵ According to the *International Parliamentarians’ Petition 2005* Annual report, by the end of 2005, the petition had been signed by over 1100 MPs in 55 countries. World Development Movement states that it has been endorsed by the Parliamentary Network on the World Bank; UK All-Party Parliamentary Groups on Debt, Aid and Trade, World Government and Overseas Development; the Committee for a Democratic UN; the Committee of the Parliaments of the Americas; European Parliamentarians for Africa; and numerous civil society organisations and networks. Online. Available at <http://www.wdm.org.uk/resources/reports/debt/IPPannualreport01022006.pdf> (accessed January 10, 2009)

¹⁶ On the subject see Weber (2005).



Conclusion

The shift towards an international aid reform at the turn of the century was the product of numerous debates and great confusion, notably on the novelties that it actually brought forth. While the poverty reduction and participatory narrative linked to the latest model appeared to be signalling a shift towards a more social policy agenda, there was a contradictory move towards a stricter governance model that seemed to be specifically designed to insulate policy-makers from vested interests. The overarching objective of this thesis has been to shed new light on this apparent paradox inherent to the international aid reform.

The thesis has focussed both on the theoretical sources that inspired the World Bank to adopt a new model and on the political objectives of this agenda. Such a research focus has led to the combination of the Bank's narrative and its new aid allocation mechanisms under the label 'Integrated Development Model'. As such, this thesis' contribution has further been located in its methodological choices. The IDM – as a main object of study – has allowed this research to transcend common country-based analyses of the PRS experience and to re-position the new aid allocation mechanisms within the larger reordering of power on behalf of market-oriented interests. The theoretical framework has brought together key authors from the field of International Political Economy and emphasised the usefulness of the *social conflict theory*, which focuses on the power dynamics at play.

Such a framework has allowed for a new light to be shed on the apparent contradictions within the Bank's new aid agenda: the contrasts between the Bank's social development narrative and the Bank's governance agenda. The analytical framework's given originality has thus been to specifically triangulate the two core concepts of the IDM: *Governance* and *Civil society*, with *citizenship*, the conceptual absentee of the Model.

In light of this framework, it was argued that contrary to the mainstream arguments, the reform is far more than a mere 'structural adjustment in disguise'. Building on an analysis of the theoretical foundations

of the IDM, the existing confusions between narrative, assumptions and methods entwined with the so-called PWC, were addressed.

The central proposition defended in this thesis has been that the IDM is part of the contemporary neo-liberal project and serves to lock-in neo-liberal policies. Three sub-propositions were further expressed. First, the aid reform was shown to be closely linked to the former consensus and as such – contrary to what the Bank has been arguing – the IDM cannot be defined as a new aid paradigm. It was further argued that the IDM should be viewed as a fundamental part of a greater socio-political project linked to the political consolidation of the neo-liberal agenda at the global and local levels. Thirdly, and logically, this socio-political project has tangible political consequences closely linked to the idea of citizenship.

Such propositions have been supported by the analysis of two *insulating* mechanisms inherent to the IDM, clearly demonstrating that the Model represents the Bank's attempt to isolate from political competition a highly political agenda – which had proven highly problematic in the past. The new conditionality model and the participatory agenda are indeed two insulating mechanisms which are effectively transforming the state architecture; shifting the political spaces between state, civil society and markets in a manner that benefits one over the others.

The new conditionality model, which consolidates the governance agenda, explicitly serves to alter the state in favour of technocratic principles. Building on a study of the mechanics of the new aid allocation mechanisms embedded in the IDM – primarily the PRS – it was argued that it represents an attempt to circumscribe borrowing governments in their possibilities to challenge orthodox policies.

The IDM's participatory and social agenda was identified as the second key insulating mechanisms vital to the IDM's strategy. It was argued that the model serves to capture, co-opt and mobilise civil society elements behind the market agenda, thus insulating the reform process from the realm of political society. The study of the PRS experience has indeed revealed that only certain segments of 'civil society' – the one deprived of political attributes – were invited to the participation table. Such a process represents a clear attempt to put certain segments of civil society at work in an effort to tackle the resistance against neo-liberal policies.

The correlation of the IDM's insulating mechanisms has brought forth serious concerns relating to what was shown to be an attempt to embed new modes of authority in PRS countries. The central argument here has been to demonstrate that the IDM's systematic attempts to curtail the realm of political society in countries under reform may be characterised as promoting neo-populism, thus raising serious concerns over issues linked to the very idea of citizenship.

Overall, the question of the impact of the IDM on political representation is significantly relevant since the IDM hides highly contentious issues behind technical responses. The study of the PRS framework has clearly shown that its purpose is to isolate key political options from the democratic realm, such as specific choices linked to the welfare state. These represent clear constraints on democratic choices which, as argued by Gill, confer privileged rights of citizenship and representation to corporate capital (1995: 8). As such, the IDM establishes technocratic precedents which are geared to free the state from what is perceived as the debilitating effects of political bargaining (Jayasuriya 2001: 1). While this is done under the cover of seemingly benign terms such as participation, ownership and empowerment, the IDM has undoubtedly set anti-democratic precedents by substituting representative politics with a technocratic form of rule. One is forced to conclude that the IDM's overwhelming focus on civil society has carried out an understanding that the civil society option was preferred to the option of helping to build effective democracies.

The New Battle Ground: Neo-Institutionalists, Neo-Conservatives and the Future of the IDM

In an interesting twist, the architect of the IDM – James D. Wolfensohn – was successively replaced by two prominent figures of the George W. Bush administration, a change that has proven to be quite challenging for the IDM. The question here of course, is whether the lessons that led to the creation of the IDM – which was developed to address the escalating setbacks of the Washington Consensus – have been lost on the neo-conservative turn at the Bank. In this thesis, it was argued that the IDM's central objective is to consolidate neo-liberalism by securing the economic achievements of the last decade on the one hand, and on the other hand, by pursuing a greater expansion of markets via the colonisation of the realm of political society. In this light, the lessons of the SAP

era seem to have been lost on the Bush administration and, as many feared, on the Wolfowitz' presidency.

In March 2005, the Bush administration appointed Paul Wolfowitz as President of the World Bank, a decision described by the *Financial Times* as putting a 'fox in charge of the chicken coop' (Financial Times 2005). While the paper's editorialist rejoiced that finally someone would be 'tough-minded and willing to set priorities' (Financial Times 2005), the decision to appoint the architect of the Iraq war at the head of the multilateral development organisation remained controversial. If the Wolfensohn legacy was sometimes perceived as eclectic for its pursuit of miscellaneous development themes, the Wolfowitz nomination, as many feared, marked the US administrations' will to openly use the multilateral organisation for its own specific security and strategic ends. It is revealing that within 48 hours of this nomination, 1300 civil society groups and individuals had already signed a petition¹ voicing concerns that 'under Wolfowitz, World Bank aid flows could become more dependent on the priorities of the US administration (Wilks 2005).

Two years after his controversial nomination, Wolfowitz resigned (in June 2007) amidst extensive media attention, ironically for showing his partner preferential treatment rather than for the difficulties pertaining to his specific approach to the nature and problems of development. Nevertheless, and as observed by Wade (2007), these ethical issues became 'the lightning-rod for much broader anger over the way he was running the Bank'. During his short term, Wade argues, Wolfowitz had indeed managed to stir controversy, not only by alienating the staff of the organisation with his management style but by bringing the Bank towards a neo-conservative agenda that revolved around US security and strategic interests.

In fact, the neo-conservatives vision of the global order and strategies for ensuring America's place in the world might indeed undermine many of the principles of Wolfensohn's IDM. Neo-conservatives, contrary to the institutionalism ideas inherent to the IDM, strongly believe in the doctrine of pre-emptive war and assault on the system of social and political powers that may be detrimental to US interests. Wolfowitz did suspend loans to countries he considered corrupt such as Chad, Kenya and Bangladesh while also expanding the Bank's activities in places where the United States had intervened militarily such as Lebanon and Iraq (Cassidy 2007).

However, such a shift towards a neo-conservative agenda at the Bank might not necessarily prove to be the end of the IDM. While the jury is still out, the analysis of the impact of the neo-conservative agenda on the IDM principles suggests that the Model might be adaptive enough to meet some of the neo-conservative features for a short period of time. That is at least until such features are tamed by an important political backlash against the unilateralism of the Republican administration. Let us recall that the IDM has two main levels which need to be assessed in light of the neo-conservative turn: one linked to the consolidation of a technocratic governance imperative, and one linked to the co-option of certain segments of civil society.

At the governance level, it appears that the Wolfowitz presidency consolidated the principles of strategic selectivity in term of aid allocation on the basis of 'good governance'. This governance policy was established in March 2007, when the Board of Directors unanimously endorsed the proposal 'Strengthening World Bank Group Engagement on Governance and Anticorruption'. Such an agenda was described as a revised and improved strategy for heightening the Bank's focus 'on governance and anticorruption as an integral part of its work to reduce poverty and promote growth' (World Bank 2007c). *The Economist* (2007b) did note that: 'He [Mr Wolfowitz] irked shareholders, borrowers and staff alike by interrupting the flow of money to self-dealing governments or tainted projects' (Economist 2007b). Of course – and this is where the IDM principles have been ousted by the neo-conservative imprint – the governance agenda under Wolfowitz has clearly been carried out less on the basis of technocratic principles and more on the basis of defending American interests, or as argued by Wade: 'as a cover for advancing United States-centric political objectives' (2007). In particular, Wade cites as an example the Bank's suspension of Uzbekistan's new loan proposals only two weeks after the Uzbek government made the US withdraw its military forces from the country in March 2006 (Wade 2007).

Neo-liberalism has historically been served by IFI conditionality. However, and as argued by Tabb: 'Where local coalitions cannot be assembled around neoliberal goals through the usual incentives and blandishments it is tempting for the world's hyper power to employ more direct threats and indeed use of violence' (Tabb 2006: 174). While the means to consolidate neo-liberalism might have changed under a neo-conservative agenda, the ultimate objective of paving the way for free

markets remains the same. Of course, the main issue at hand is when the fundamentalist religious right and the petro-military interests overpower the expansion of the neo-liberal objectives of producing freer and more efficient markets. In direct contradiction to the IDM principle acknowledging the importance of co-opting elements of civil society to the neo-liberal agenda, the Bush doctrine has managed to alienate local populations, notably in Iraq. As pointed out by Tabb: 'Part of the explanation of the US failure in Iraq is the result of the neo-liberal model the Bush administration imposed on that country, which ignored provision of basic public services and, more generally, an almost wilful lack of planning beyond that undertaken to protect the oil' (Tabb 2006: 176).

The point here is that the IDM was the product of an adaptation of the Bank's tactics to impose neo-liberalism in reforming countries. As such, the lessons of the SAP era seemed to be lost on the Wolfowitz presidency. The unilateralism of neo-conservatism has undoubtedly clashed with the neopopulist agenda, which is at the core of the IDM principle.

But the verdict on the importance of the neo-conservative agenda at the Bank is still pending. Robert Zoellick, as a former American trade representative who was appointed in July 2007, is also perceived as someone who harmonises the Bank's agenda in order to meet US neo-conservative interests. In comparison to his predecessor however, he is seen as a tamed neo-conservative: '[Zoellick] is not viewed as representing as much of a hardliner as the neo-conservative Wolfowitz is regarded' observes *The Economist* (2007a). On the subject, a senior Bank official declared to the *Washington Post*: 'Zoellick may not enjoy a honeymoon, but there will still be a sizable slice of the bank prepared to give him the benefit of the doubt' (Goodman 2007: A01).

In light of the global financial crisis however, it now appear that the Zoellick presidency may be judged less for its neo-conservative influences than on the Bank's ability to efficiently address the current economic turmoil. Interestingly however, the crisis has provoked an important debate over the very future of the IFIs: 'the world need[s] a new Bretton Woods agreement' stated British Prime Minister Gordon Brown in January 2009, after calling on world leaders to reform the international financial institutions (CNN 2009). Shortly after, the Chinese government was declaring that 'The critical part of any reform package should be greater representation and voting rights for emerging and developing

countries within the IMF and the World Bank' (Reuters 2009). This was followed by the announcement of Brazil's Finance Minister to the effect that his country, along with Russia, China and India, would no longer contribute to the IMF until their voting shares were increased (Reuters 2009).

The issue of representation within the IFIs is indeed being scrutinised both in terms of the legitimacy of having American and European appointments for the presidency of both institutions, and in terms of overall voting power within the organisations' decisions. In February 2009, the Bank's Governors took a first step towards giving reforming countries a greater voice inside the organisation by adding a seat for Sub-Saharan Africa on the Bank's Board of Executive Directors. This opened the door for borrowing countries to increase their voting power to 44%.

But does this really signal the beginning of a significant transformation within the Bank's ideology? Scepticism is required. As Sengupta (2009) argues: 'But even though the Bank's cafeteria probably serves more curry and couscous than it's done before, there's been no perceptible shift in the institution's orientation' (2009). In fact, there is little hope that such minor changes can challenge the neo-institutional strongholds at the Bank and as such, the core principles of the IDM.

Beyond the modest concessions granted to borrowing nations, the immediate question is rather to see whether the Bank will need to make more fundamental changes as it adapts to the current global economic turmoil. After all, the crisis was fed by a financial sector which was gradually freed of state laws and regulations and had thus carried an unprecedented weight in the world economy.

As the IMF is starting to provide emergency loans, the conditionality packages will be crucial in indicating any real change. If the conditionalities attached to these loans are not as complex as those imposed during the Asian financial crisis, the *antes* nature of some of the conditions, which require prior actions from borrowing governments, remain for now well within the path of the selectivity agenda promoted in the IDM. For example, at a meeting² between the *International Trade Union Confederation* (ITUC) attended by Dominique Strauss-Kahn, the IFM Managing Director, and the World Bank President Robert Zoellick, ITUC members raised concern that the new loans were conditional to interest rate and utility price hikes, restrictions and even reductions in wages and re-

ductions of pension payments other public spending cuts (Olayinka 2009). One member of the ITUC, Guy Ryder, suggested that:

It makes no sense for the World Bank to continue to heavily promote across-the-board deregulation as the answer to developing countries' ills, when it [is] obvious that it is the lack of adequate regulation world-wide that has plunged the global economy into its worst straits since the 1930s (cited in Olayinka 2009).

For Zoellick himself, the global financial crisis appears to represent 'an opportunity for revisiting the role and size of government and for taking measures to increase economic freedom' (cited in Daboub 2009).

Here it appears that the Bank's strategy to address the current crisis is to tightly cling to its traditional policy package where targeted safety nets are promoted in conjunction with economic and institutional reforms. This obstinate will to drive the old neo-liberal prescriptions is revealing of the persistence the apolitical and technical institutional norms at the Bank, as discussed in chapter two of this contribution. Ironically, while aid packages appear to remain firmly in line with the economic model of the last decade, the same double policy standard is maintained. On the subject, Stiglitz himself observed that bailing out firms in rich countries could disadvantage their rivals in the emerging world: 'Even the knowledge that there may be a rescue if things go badly gives firms in advanced industrial countries a distinct advantage: they can undertake risks that those in poorer countries cannot' (cited in Stewart 2009).

What is crucial to underline here is how the crisis represents an unprecedented opportunity for the Bank to reassert its own relevance amidst the challenges of a changing world. As observed by Manish Bapna: 'IFIs have been desperately awaiting the new business this financial crisis will likely generate' (cited in Jaruzel 2008). The Wolfensohn era was indeed followed by fundamental changes in the check board of international aid, changes that were threatening the historical influence of the Bank. New players, such as China and Korea, growing private foundations, such as the Bill and Melinda Gates foundation, and multiplying Global vertical programmes³ have indeed become tremendously influential. Therefore, the Bank's new commitments of up to \$100 billion in aid over the next three years, will undeniably help secure the institution's position for the years to come, making it less susceptible to pressure for change.

As the economic downturn is securing the influence of the World

Bank within this changing world, one must wonder if the IDM will be reinforced or if other strategies will be carried out.

The Obama administration has already started challenging the neo-conservative principles of the Bush Presidency and as such, it is expected that the principles of the IDM will come back in force. Such changes echo Tabb's conclusions that the 'muscular adventurism of the Bush neo-conservatives' would likely be replaced by greater caution and that the 'desire for multilateral cover may lead the United States back to a greater commitment to global state governance regime building' (Tabb 2006: 193). As further argued by Hout and Robison, even the neo-conservatives came to recognise that the elimination of specific regimes was not enough to guarantee the effective implementation and embedding neo-liberal reforms, their point being that it was the creation of effective pro-market alliances that really mattered (2009: 197).

On that note, there is no doubt that the social aftermath of the global financial crisis will require neo-liberals to reach out well beyond a strict economic orthodoxy in order to nurse those local coalitions vital to its very survival. As such, the IDM ideology will remain the most useful policy choice for the Bank. As argued throughout this contribution, the IDM was developed precisely to address the escalating setbacks of a specific crisis – the Washington Consensus – *without* actually challenging its fundamental assumptions and goals. What is key here is the fact that it is not the retreat of the state that the Bank is reaching. Instead, it is seeking to transform the functions of states in a way that undercuts their ability to mediate, regulate or mobilise in favour of the elite that dominates them or even, in rare occasions, in favour of their citizens. Zoellick clearly clings to the traditions of the IDM:

[...] the effectiveness of governments and institutions will play a crucial role in weathering the storm. Governments can redouble efforts to remove obstacles to growth and create a better business environment by increasing transparency, respecting and strengthening property rights, putting in place a well functioning judiciary, and reducing crime and violence. This is crucial as the private sector is the engine of innovation and productivity – and best placed to create jobs.

Many governments could also take advantage of the present crisis to review their policies on 'universal subsidies,' which are subsidies that are going not only to the poor, but to others that can do without. Why should the state subsidize water and sanitation, education services, gaso-

line or electricity for those who can afford it? (Zoellick cited in Daboub 2009)

There is much to fear in terms of the social impacts and the tensions that the current economic meltdown will bring forth. Handling dramatic political changes is essential to the Bank's agenda. The IDM has proven itself by providing various institutional and governance approaches that allow political opposition to be defused, at least temporarily. As such, the ideology of the IDM remains essential to the market agenda of the Bank.

Notes

- ¹ The petition was initiated by the organisation *European Network on Debt and Development*.
- ² Held in Washington DC in January 2009.
- ³ Global vertical programmes are also known as 'vertical funds', 'global programmes' and 'global initiatives'. The Accra High Level Forum, the OECD and the World Bank define vertical programmes as 'international initiatives outside the UN system which deliver significant funding at the country level in support of focused thematic objectives' (EURODAD 2008: 5).



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- Chase, Robert, Senior Social Development Economist in the World Bank's *Social Development Department*, Interview conducted at the World Bank headquarters, Washington DC (October 10, 2006).
- Fowler, Alan, Adviser to the Bank on issues of enabling environment for civil society and Professor at the *Centre of Civil Society of the University of KwaZulu Natal*, Interview conducted online (May 16-17, 2009).
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