World Bank Reform – A Critical investigation:
Change and Continuity in the World Bank's Approach to Development in the 1990s

by

Veronika Wodsak

A thesis submitted to the Department of Political Studies in conformity with the requirements for the degree of Masters of Arts

Queen's University
Kingston, Ontario, Canada
September 2002

0-612-73103-0

Abstract

Based on the assumption that critical and emancipatory approaches to development should be adopted to overcome the current impasse in development theory and practice, this thesis evaluates the World Bank's response to the changing global environment of the 1990s, to its past failures and to the severe criticism. The Bank's reform efforts – the Strategic Compact, the Knowledge Bank, the Comprehensive Development Framework, a changed attitude towards the state - are found insufficient to change the Banks apolitical, technocratic, economistic and elitist approach to development. The Bank is less dynamic than it portrays itself to be and the changes that do take place represent only adjustments in the Bank's strategy. The goal of development defined as achieving economic growth through integrating into the global economic system persists; the flaws of the global economic system itself remain unchallenged. The main obstacle to emancipatory change are the structural constraints that result from the dominance of the neo-liberal paradigm in the global political economy and the political, cultural, social and economic institutions of the dominant member states, especially the US. The institutional inertia of a large bureaucracy like the Bank constitutes a further hindrance. The result is a reproduction and further dissemination of the neo-liberal approach to development through the World Bank.

Acknowledgements

I would like to thank my parents for supporting me in whatever choices I made; my former seminar-leader Andrea den Boer and my former professors Mervyn Frost, Richard Sakwa and Wayne Cox who have influenced and inspired me academically; my friends and relatives, especially my sister Angela who have listened with great patience to my lamentations about my lack of progress or discontent with my work; Siobhan, John, Dave, Petra and George for reading draft chapters, the DAAD (German Academic Exchange Service) for the funding without which I could have never come to Queen's; the entire Department of Political Studies at Queen's, especially the staff in the office, for creating a friendly and welcoming learning environment.
Special thanks to my supervisor Prof. Pentland for being very motivating and supportive.

Table of Contents

List of Acronyms and Abreviations

CDF	Comprehensive Development Framework
IBRD	International Bank of Reconstruction and Development
IDA	International Development Agency
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
NGO	Non Governmental Organisation
UN	United Nations
UNDP	United Nations Development Program
WDR	World Development Report

Introduction

The World Bank's development strategies and policies have been the focus of vibrant and sometimes radical criticism for at least the past two decades. More recently, the critics have broadened their scope. Anti-developmentalist and post-developmentalist voices have grown louder, attacking the very idea of development itself. The Bank has been quick to react and pick up on many of these criticisms. Opinions on how to evaluate the Bank's reaction differ drastically. Whether the Bank's response is judged to be only rhetorical, to constitute a hegemonic cooption of critical thought into the mainstream, or to make a difference and improve or transform World Bank practice is as much a question of one's political values and convictions and one's interpretation of our times as it is a matter of careful analysis. I will argue in this thesis that the Bank's reform efforts of the Strategic Compact, the Knowledge Bank initiative, the introduction of the Comprehensive Development Framework and its changed attitude toward the role of the state have not produced the thoroughgoing changes necessary to overcome the impasse in development theory and practice.

Chapter outline

Writing a thesis about the Bank's approach to development requires taking a stance on a whole plethora of complex, contested and sometimes sensitive issues concerning the global political economy, cultural differences, ethnocentrism, the environment and gender that go beyond a narrow concern with the World Bank as such. The first chapter will clarify my stance on these issues.

Having outlined in the first chapter the political and theoretical perspectives that I will adopt in my investigation of the changes in the Bank's approach to development, the following chapters discuss the obstacles and opportunities that the different actors in the development process face in the pursuit of their respective agenda. Since I am convinced of both the difficulty and the necessity of extensive change of the Bank, special consideration will be given to identifying strategies for advocating change and pushing for reform. The second chapter will thus explore the factors that inhibit reforms, while the third chapter will look at changes that have taken place and how they arose. Factors found to be perpetuating the status quo and obstructing change include:

- the role of **dominant member states**, specifically the United States whose impact is manifest both directly in the institutional make up as reflected in the Articles of Agreement and indirectly through the dominance of the US in academia and the global political economy at large;
- the **structural imperatives** that arise from the Bank's operating as a Bank in a globalizing capitalist economic system;
- the Banks's apolitical, technical and elitist **organizational culture**, and finally
- its bureaucratic characteristic of institutional inertia as the organization develops an interest to maintain itself and adopts self-perpetuating strategies reflected in **hiring and promotion procedures** as well as irrational lending behaviour.

Factors that have produced change include:

- pressure from a dominant member state like the US or Japan[1] (The US, for example has threatened to abstain from IDA or IFC[2] replenishment to push forward its agenda of prioritizing the private sector, Japanese pressure and financing of publications on the success of the Asian tigers played a considerable role in bringing about a change in attitude towards the role of the state in the development process.)
- changes in the US administration or academia in its approach to development have shown to have an impact on the Bank since the Bank's president is appointed by the US government and the Bank hires from the Ivy-League institutions
- internal initiative of staff members and their experience in the field can lead to a change like the establishment of the social development Task Group established in 1996, as well as prominent presidents like MacNamara in the seventies have

[1] The fact that dominant member states figure as prominent factors for both change and continuity might seem contradictory at first sight. The development of my argument in the following chapters will show that while the changes which do take place are often due to pressures exerted by powerful member states, the crucial emancipatory changes that I am arguing for are not taking place partly because they are obstructed by dominant member states.

[2] The International Development Agency (IDA), founded in 1960, and the International Finance Corporation (IFC), founded in 1956, are part of the World Bank Group. The Bank in fact comprises an amalgam of four organisations. The original and central member is the International Bank for Reconstruction and Development (IBRD) which issues medium term loans at a rate substantially lower than would be available from the private sector. Providing IBRD loans remains the Bank's main activity. IDA loans are very long-term and at heavily concessional rates. IDA loans are confined to a group of 60 countries with very low GDP per head. The IFC lends to private sector institutions without any governmental guarantee, and also takes equity shares in private sector enterprises. The IDA and the IFS are financed from the profits of the entire World Bank group and by grants from member governments. This makes it possible for countries which bring in substantial amounts of money to extort certain policies in return for their contributions. The fourth member of the Group is the Multinational Investment Guarantee (MIGA) was founded in 1988. It guarantees private sector investors against expropriation and repatriation risks in borrowing countries.

had a lasting impact on the Bank's organizational culture. It has been argued that Wolfensohn will also produce a remaining impact on the Bank

- changes in the global political economy like the massive growth in private transfers to developing countries over at least the past decade. In 1985, official flows only just offset the value of negative private transfers, but by 1995 private flows amounted to over 80% of total flows. The Bank's transfers amounted to 7% which means the Bank has clearly ceased to be the predominant source of finance for developing countries. The problem has thus become one of adjusting to the vagaries of free and open capital markets, rather than their absence.
- criticism from both internal evaluations and assessments and from the general public

My fourth chapter will discuss and evaluate the findings of chapters two and three. I arrive at the conclusion that prospects for substantial change are rather dim. Instead of the Bank adjusting to the needs of development imperatives, the Bank's tasks are tailored according to its organizational features of a conservative financial institution - the Bank's role as a bank has always taken priority over its role as a development agency. The ideological hegemony of neoliberal common sense, institutional inertia and vested interests of the powerful actors will be shown to present serious obstacles to accomplish this necessary change and it is indeed questionable whether the kind of development envisaged by the critics could ever be achieved in the framework of a World *Bank*.

The concluding chapter will bring together some of the issues raised in the previous chapters. Global and local crises and the Bank's past failures to address them adequately or to reverse the trend of growing inequalities within and between countries manifest the urgent need for change. The World Bank should be scrutinized closely in terms of how costs and benefits are distributed across the different actors. The former western colonialists, the transnational capitalist class, NGOs, the development industry, the leaders and elites in borrowing countries, the masses within the borrowing countries all have different - mainly conflicting but also overlapping - interests and agendas and different capacities and strategies to pursue those interests. The struggle of overcoming the subjugation of the marginalized masses by both local and global power elites in the material, political and ideological spheres is the real challenge of "development" in both the North and the South, the East and the West; the World Bank is but one arena in which this conflict is carried out.

Chapter 1

In defence of development

In this chapter, I will position my work theoretically and politically with respect to what I consider to be the major issues concerning debates evolving around development politics and the role of the World Bank. I will defend a critical theory approach to development that aims to assist in bringing about emancipatory change for the marginalized against a flawed universalism or ethnocentrism and against the idea of post-developmentalism. I will show that relativist and postmodernist theories lack an account of agency and a normative agenda, and are thus incapable of explaining or effecting change. While these alternative approaches generate valuable criticism of orthodox theorizing, I will argue that their postulation of radical arbitrariness and indeterminacy renders those theories politically impotent and ethically unacceptable since they seem to suggest that the current state of affairs is the best we can do.

The second section will discuss the problem of economism that mainstream development approaches suffer from, and the last section will discuss Gramsci's conceptualization of ideological hegemony and point out the importance of non-economic factors. Rather than a detailed discussion of these complex arguments, this section will only give summaries of what is at stake in these debates in order to be able to state some of my underlying assumptions about and attitudes toward those issues.

The discussion of these broader themes will also allow me to clarify my theoretical perspective and the implications this perspective has for my analysis of the World Bank. This is important since I believe that the nature of one's evaluation of the World Bank's approach to development is severely influenced by one's understanding of development and one's conviction as to what would be the best model of development. My theoretical perspective is inspired by Antonio Gramsci's thought but sometimes departs from Gramscian analysis.

The challenge of overcoming the impasse: Finding a balance between ethnocentric Universalism and relativistic Post/Anti – developmentalism

While the development "industry" of multilateral donor agencies and NGOs continues to function relatively unharmed, development practice and theory has been in severe crisis for at least two decades. On the practical side, development efforts did not bring about the prosperous, peaceful world that it had promised - a world in which poor countries would "catch up" with rich countries after their economies had been "kick started". Instead, we are living in a world of increasing levels of poverty, exclusion and inequality, environmental degradation and eroding communities – trends that are not confined to the poor countries.[3]

The 1950s and 1960s were decades of optimism. The goal of modernization was never called in question, rather a competition ensued over which theory could bring third world societies into modernity faster. Different theories mushroomed: Big Push theories, Unbalanced Growth or Balanced Growth or Stages of Growth theories, Redistribution with (or without) Growth theories, the New International Economic Order, Mode of Production theories. Despite their differences in how to achieve change (conservative, reformist or revolutionary), they all shared the general vision of progress through industrialization and a lot of the countries in fact industrialized and experienced spectacular economic growth rates. In the 1970s and 1980s optimism turned into scepticism. Economic growth did not seem to improve the situation of the poor and sometimes actually made them worse off. The oil crises in the seventies, the resulting debt crisis and stringent adjustment programmes in the eighties disillusioned the last believers. The late 1980s - early 1990s became the height of the impasse in development thinking.[4] The ineffectiveness of past

---

[3] see Uma Kothari and Martin Minogue (eds.), *Development Theory and Practice – Critical Perspectives*, London: Palgrave, 2002, p. 2-7 and M. Shamsul Haque, *Restructuring Development Theories and Policies – A Critical Study*, State University of New York Press, 1999, p. 152

[4] For a good overview on development theories see Haque, *Restructuring Development Theories and Policies*, 1999, chap. 4-6

attempts to "develop" borrowing countries had come to be generally recognized across the spectrum of different theorists and political actors: Nearly 1.3 billion people live on less than a dollar a day. The share in global income of the richest fifth of the world is 74 times that of the poorest fifth. More than 840 million are malnourished, more than 800 million lack access to health services, more than 850 million adults are illiterate.[5] Even the World Bank acknowledges with an unprecedented air of self-criticism that aid "has been, at times, an unmitigated failure" and observes that the past twenty years "have seen the stagnation in the leading import-substituting models of the 1970s (Brazil and Mexico) and broad economic failure (if not absolute disintegration) of post-independence Africa".[6]

This failure in the practice of development contributed to the crisis of development theory which, like social theory in general, had been shaken by the critiques of postmodernism, postcolonialism and certain "feminisms." These alternative approaches challenged the social science orthodoxy on epistemological, ontological and methodological grounds. Although the debates these "alternative theories"[7] have generated are fascinating, only the contributions that seem most relevant to development theory will be mentioned since it is impossible to rehash the arguments in detail here.

Firstly, they have discredited the idea of the modern society as the epitome of everything good and desirable and consequently delegitimized the goal of mainstream development practice to assist poor societies in "achieving" everything that characterizes rich societies: rapid industrialization, agricultural modernization, capitalist market economies, urbanization. In contrast to this, alternative theorizing draws attention to the downsides of modern life and stresses that modern rationality and society comes in many

[5] taken from Uma Kothari and Martin Minogue (eds.), *Development Theory and Practice – Critical Perspectives*, London: Palgrave, 2002, p. 2-7 and M. Shamsul Haque, *Restructuring Development Theories and Policies – A Critical Study*, State University of New York Press, 1999, p. 19

[6] World Bank, *Assessing Aid – What Works, What Doesn't and Why?*, Oxford University Press, 1998, p. 1 and p. p. 10

[7] I admit that it is unfortunate to discuss them as a group since great differences exist between and within each of these but it will be sufficient for my purpose here.

shapes and misshapes: disintegrating families and community bonds, alcoholism and drug abuse, high suicide rates, environmental pollution and nuclear weapons, crime and violence, loneliness, aesthetic uncertainty, exaggerated consumerism, obsession with one's own body, lack of spirituality, alienation, increasing inequality and poverty alongside the excessive wealth and luxury of the few etc., thus draining "catching up" with the West from its appeal.[8]

Second, postmodern, postcolonial and some feminist theories have drawn attention to the ethnocentrism underneath the unfounded universalism of modernization orthodoxy. A vast body of literature has been produced over the past two decades that show how the Bank's blueprint approach to development has been a hindrance rather than help and often produced detrimental results for those who the projects intended to "help". The insight that the "Third World" was too heterogeneous a category to be studied in its entirety through global theories or metatheory and the recognition of differentiation led to an appreciation of local knowledge. Even the World Bank now pays lip service to the necessity of taking local variations into account. In contrast to the "one size fits all" attitude, Wolfensohn recommends that "rich countries [...] listen to the expressed needs of developing countries so that they help to build individual programs that are relevant and make a real difference." "This", he further admits, "is not pro-forma work."[9]

Third, following from the assertion that knowledge is not universal but relative, they challenge the assumptions that reason or truth- and knowledge claims have liberating potential. They argue that knowledge or truths are produced rather than "found" and that power operates through discourses of truth. Modern knowledge construction through dehistoricisation and deculturalisation of contextualized instances as universal truths is

[8] Akbar S. Ahmed, "Embracing the other", *Interventions – International Journal of Postcolonial Studies*, Vol. 1(1), pp. 9-14, 1998, Arturo Escobar, *Encountering Development: The Making and the Unmaking of the Third World*, Princeton: Princeton University Press, 1995, p. 28 and M. Shamsul Haque, *Restructuring Development Theories and Policies – A Critical Study*, State University of New York Press, 1999, p. 8

[9] James D. Wolfensohn, *A Partnership for Development and Peace*, speech at the Woodrow Wilson International Centre, 6 March 2002, http://www.worldbank.org/html/extdr/extme/jdwsp0300602.htm

itself considered a political and repressive act. Universalism thus is to be rejected not only because universal truth claims lead to flawed and ineffective conclusions and policies but because the "myth" of universally applicable knowledge is in and of itself a strategy of repression and normalization that should be resisted.[10] Baumann follows this line of thought when proposing that universality is complemented by 'universalization', a process by which those who are powerful identify their own values as universal values, then seem to extend them. Accordingly, "universality is not a prior set of absolutes, but the end product of a process of universalization; choosing the form of humanity for others is an exercise in power, not in morality."[11]

While these criticisms of Western society and social theory by postmodern, postcolonial and feminist theorists are important for future theorizing on development, they have also led to a body of anti- or post-development theory with radically relativistic or nihilistic tendencies that I find problematic. In general, they assert that all truth claims are equally arbitrary and that all knowledge production has to be understood as a repressive political act; a bid for power rather than the search for truth. The result of these theories is to depoliticise issues of inequality and subjugation; to legitimize the status quo through making all normative judgement appear equally arbitrary and thus futile, and finally to essentialize modern and traditional societies in exactly the way that they criticize in orthodox theories. Moreover, the tendency of some theorists to blame the rich countries for *all* the problems and conflicts that poor countries are inflicted with has resulted in demonising any modern western industrial interference in traditional societies as neoimperialist or neocolonialist. In a false reversal, the rejection of what has been recognized as "bad" (western interference) is assumed to be "good" so that all anti/ or

[10] Michelt Foucault, *The History of Sexuality*, Volume one, New York: Vintage Books, 1980 (1978), pp. 82-102
[11] Bauman, Z., "On Universal Morality and the Morality of Universalism", European Journal of Development Research, p. 7-18, 10(2), 1998, p. 11

non-western positions are automatically seen as progressive, thus glorifying and romanticizing the life in non-industrialized societies.[12]

Arturo Escobar, for example claims that "development has functioned as an *all-powerful* mechanism for the *production* and management of the third world". He further argues that "Development proceeded by *creating* abnormalities ("the poor", "the malnourished", "the illiterate", "pregnant women", "the landless") which it would then treat or reform."[13] Works of other writers, like for example Marglin, who was inspired by postmodern thinkers like Derrida go so far as to argue that the introduction of small pox vaccination to India by the British was an act of imperialist domination and a case of western neglect of difference based on the binary oppositions between health and illness, life and death. Or they present the case that subsistence agriculture is preferable to commercial agriculture[14] just because it is indigenous.[15] The celebration of the "pre-modern" respect for nature also seems misconstrued and appears to be argued from a position of ignorance about the reality of people's relation with the environment in pre-modern societies, which sometimes included de-forestation, land degradation, river erosion and flooding.[16]

My intentions are certainly not to belittle the severe damage western interventionism, partly in the name of development, has caused. I am also fully aware of the extent to which current international structures contribute to the exploitation and marginalization of the poor by affluent countries. Rather, my point is that local traditional structures can be

[12] see Ray Kiely, "Third Worldist Relativism: A New Form of Imperialism", *Journal of Contemporary Asia*, pp. 159-178, Vol. 25(2), 1995
[13] Arturo Escobar, *Encountering Development*, 1995, p. 25 and 27 (emphasis added)
[14] The effects of commercialization of agriculture have certainly not been beneficial to all, however, this does not mean that subsistence agriculture in itself is any better, not least because it ignores the exploitative relations which existed in non-capitalist societies.
[15] Stephen Marglin, (ed), *Dominating Knowledge: Development, Culture and Resistance*, Oxford, Clarendon, 1991, p. 8
[16] see David Harvey, "The Nature Environment: Dialectics of Social and Environmental Change", in *The Socialist Register*, London: Merlin Press, 1993, p. 28-31

equally oppressive and exploitative. An essentialist rejection of western societies per se on the one hand, and the complete glorification of traditional societies on the other, or an uncritical celebration of diversity that tolerates any social relation (oppressive or emancipatory) are unacceptable alternatives to current approaches to development. I cannot find much that is romantic about marginalized people who live in abject poverty under authoritarian regimes, nor do I think it is appropriate to call their circumstances merely *different* from mine. The choice of the term "difference" amounts to an unacceptable, depoliticising euphemism for *inequality*, the subject matter for development theory proper. Franz Schuurmann cogently makes the case that "development studies should not be restricted to 'diversity' but be explicitly concerned with 'inequality': inequality of access to power, to resources, to a human existence – in short, inequality in emancipation."[17]

I also find myself in agreement with theorists like Kiely who observes that relativism, while professing to "be a theory which preaches tolerance and pluralism [...], at its worse simply ignores or even becomes an apology for all kinds of oppressive practices, or for retreat from politics."[18] Following a relativist logic, any form of critical scrutiny of traditional societies amounts to an act of imperialist interference, the attempt to impose western values on local ways. Normative judgements thus have to be avoided altogether: genital mutilation, forced marriages, abuse of lower casts or classes, female infanticide - relativist tolerance for "otherness" can offer justifications for the way things are and why we do not need to interfere. Their solution for the current impasse in development thinking seems to be a hands-off approach that values localized, pluralistic grassroots movements and cultures irrespective of their agenda.[19]

[17] Frans J. Schuurman (ed.), *Beyond the Impasse – New Direction in Development Theory*, London: Zed Books, 1993, p. 30
[18] Kiely, "Third Worldist Relativism: A New Form of Imperialism", 1995, p. 168
[19] see Arturo Escobar, *Encountering Development*, 1995, p. 31

A relativist celebration of diversity, apart from being normatively incapacitating, furthermore leads to either an infinite search for sufficiently pluralized categories of groups or to a radical individualism. Resistance is reduced to private, individualized acts, which fail to address the real issues of social power in modern societies. Ray Kiely observes that

> it is clear that there is a close linkage between the rejection of any universal norms and the celebration of utility-maximizing individualism. Indeed, the relativist's suspicion of the homogenizing thrust of universalism (the universal subsumes the particular) closely parallels the neo-liberal/utilitarian suspicion of democracy (the democratic polity subsumes individual freedom guaranteed by the free market).[20]

Paradoxically then, an outright rejection of universal knowledge and norms produces a radical indeterminacy, which does not allow for any agency. The postmodern individual living in a radically arbitrary world seems equally disempowered as the liberal rational choice actor with given preferences in an all too structured world. In my opinion, what is ethnocentric and highly problematic about mainstream development universalism in theory and practice is not to assume the universality of basic needs such as food, shelter and clothing; services like transport, health and sanitation; employment or participation in decision making processes. Rather, the ethnocentricity consists in a narrow-minded approach to how these could be fulfilled; an approach which takes for granted the western model as the most desirable. In fact, the "western model" of development is still often considered the only possible solution. A search for alternatives, an exploration of the possibilities for poor countries to solve their own problems themselves is rare. The answers seem too obvious: poor states simply have to follow the example given by already modernized societies. It is not thought necessary to take the very different circumstances of different countries into account.

In sum, I believe that human agency can influence the direction for social change, and I think that this human agency takes the form of collective action and needs to be based

---

[20] Kiely, "Third Worldist Relativism: A New Form of Imperialism", p. 170

on some normative agenda as to what constitutes desirable change. Development in the sense of the search for the "good life" and the "good society" (not the search for ways to imitate modern societies of rich countries) is not to be abandoned despite past failures. While much interference of rich states has been detrimental for the poor, I want to suggest that not all western development strategies are to be rejected but that we need to ground their evaluation normatively. This is precisely where critical theory differs from alternative theorizing. Epistemologically, critical theory resembles postmodern theory in its assertion of the relativity of all truth claims as is reflected in Robert Cox's famous assertion that theory is always for someone and for some purpose. However, as opposed to the theory-driven postmodernism, critical theory is driven by its politics and can therefore avoid postmodern nihilism by establishing normative/political criteria for evaluating rival truth claims. If social theories are part of our political struggles, traditional criteria like regularity, reliability, validity, foreknowledge and parsimony are insufficient to judge between rival political theories. In addition, critical theorists suggest the criteria of reflexivity, historicity, particularity *and* totality. A critical reflection on rival truth claims allows us to evaluate the inclusive and exclusive implications and thus emancipatory or oppressive potential underlying each.[21] In other words, critical theory strikes a compromise between universalism and relativism by positing human agency striving for improvement of their societies at the centre of their theory and emphasising at the same time the situatedness of each of these struggles in a specific place, time and configuration of power structures.

The emancipatory goals that critical theory calls for must not be understood as non-empirical, purely contemplative moral arguments derived from fundamental and universal laws of human nature but as the expression of the political interest of the oppressed. Similar to relativists, critical theorists think that each of these actors (collective or

[21] for a detailed elaboration of this argument see Andrew Linklater, "The Question of the Next Stage in International Relations Theory: A Critical-Theoretical Point of View", pp. 77-100, *Millennium*, 21(1), 1992

individual) may have a different *Weltanschauung,* which shapes their actions. Critical Theory thus draws attention to the fact that our theories about the world in fact partake in social struggles by reinforcing/legitimizing and naturalizing certain states of affairs.

Overall, I think that the current structures of inequalities and problems that borrowing countries face are unacceptable and manifest a need for change. I have argued that the preoccupation of how to bring about emancipatory change for those that are marginalized in the current order is the proper focus for development theory and practice. This is by and large the position critical approaches to development advocate. However, structures of subjugation take different forms (natural-physiological, political- economic and cultural-intellectual) and exist at different levels (between individuals, groups, classes, sexes, nations), compromising the opportunity for all to realize an integral human personality. Disagreement exists among those critical theorists who think that freeing people (individuals and groups) from physical, human and psychological constraints should be the ultimate concern and referent for theory and practice, about which of the different forms of oppression takes primacy and which is the most important to address first. This argument will be discussed in the next sections on economism and technical vs. political approaches in development theory and practice. It will be argued that orthodox theory tends toward an overly materialistic understanding of oppression, thus giving primacy to economic factors and assuming that other forms of subjugation result from economic disadvantages.

The importance of economic growth for development

Orthodox approaches in development studies traditionally give ontological primacy to matter over ideas and subscribe to a positivist/empiricist epistemology. Similarly, policy design for developing countries typically focuses on economic factors giving primacy to economics over social and political considerations. Critical theory postulates a dialectical relationship between the material and the ideational and argues that economic, political and social realms are inseparable. Neither of these can be given priority in an a priori fashion without careful historical analysis of the specific situation and from a specific perspective. Critical theory also enables us to see how philosophical materialism and political economism are mutually interdependent and reinforcing.

The equation of development with (capitalist) economic growth undeniably lay at the heart of post war development thinking of both left and right. Many liberal theorists and many (scientific) Marxist theorists alike gave primacy to production relations in their analysis. They also saw the promotion of capitalism in borrowing countries as a 'natural' and progressive step in development since they conceived the course of history to be shaped by the determined action of material conditions operating in conformity to immutable laws that produce inescapable and fixed outcomes. The complex of political, social and cultural factors was thus seen as a consequence of national and international *economic* structures. Karl Polanyi in the Great Transformation describes the dehumanizing aspects of the economism that developed with the capitalist mode of production stating that

> Ultimately, the control of the economic system by the market is of overwhelming consequence to the whole organisation of society, it means nothing less than the running of society as an adjunct to the market. Instead of being embedded in social relations, social relations are embedded in the economic system.[22]

Instead of assuming the universal and eternal primacy of economic factors determining outcomes in all other spheres, critical theorists reject a Marxist scheme where the social relations are the economic base and culture, knowledge and ideology constitute the superstructure. Critical theorists argue that the failures of development can partly be

[22] Karl Polanyi, *The Great Transformation*, Toronto: Farrar&Rinehart, 1944

attributed to the overly materialist and positivist social theorizing. No simple cause and effect relationship can be established between economic growth and social well being in the way it had been assumed by trickle-down approaches to development. Like other critical theorists, Gramsci severely attacked those mechanistic interpretations of Marxist materialism referred to above and tried to restore the possibility of conscious, creative human activity to the - in his eyes degenerated scientism - of positivist Marxists.[23] He was concerned about the implied automaticity and resulting passivity that was created by law-like formulations of the course of history and therefore stressed the fact that "socio-economic circumstances do not of themselves 'produce' political changes. They only set the conditions in which such changes become possible."[24] In order for the change to take place, it is necessary that "men [sic] acquire consciousness of conflicts on the level of ideologies."[25] The material conditions are irrelevant so long as men and women have not developed a critical awareness of them.

Gramsci maintains that the distinction between form and content, materialism and idealism has "purely indicative value" since "material forces would be inconceivable without form, and ideologies would be individual fancies without material forces."[26] The economic base does not determine rigidly the ideological superstructure univocally and scientifically discernibly. Rather, the material base limits the range of possible outcomes. Political and ideological activity is ultimately decisive in determining which alternative prevails. As I argued earlier, the material cannot be reduced to ideologies but neither can ideologies be reduced to the material. Both have to be given their due and there is no a priori knowing the particular configuration of their relationship. Theorists who fall into the reductionist trap of either ideologism or economism fail to see how ideas and reality,

---

[23] While Gramsci is only criticizing scientific Marxism, I think that his critique is in large part also applicable to the economism of liberal theories which resemble scientific Marxist theories in many ways.
[24] David Forgas (ed.), *An Antonio Gramsci Reader – Selected Writings, 1916-1935*, New York: Schocken Books, 1988, p. 190
[25] ibid, p. 192
[26] ibid, p. 200

theory and practice, base and superstructure, the rational and the factual are inseparable because they are mutually constitutive. If one is inconceivable without the other, no causal relationship can be established scientifically, no side can be given priority axiomatically. Put in Gramsci's terms, there exists a "necessary reciprocity between structure and superstructures, a reciprocity which is nothing other than the real dialectical process."[27]

This assumption of a dialectical relationship strikes a balance between materialism and idealism that has elements of both conventionalism and pragmatism. According to critical theorists, as I have argued in the section above, knowledge claims have a conventional element in that they become "true" only if they go beyond being pure products of the individual mind and are disseminated widely. Knowledge is created intersubjectively. The pragmatism is reflected in Gramsci's emphasis on practical relevance. He states that "One's conception of the world is a response to certain specific problems posed by reality, which are quite specific and original in their immediate relevance."[28] The truth-value of theoretical formulations or conceptions of the world is not to be determined by correspondence to some fixed standard or objective reality but by their acceptance and effectiveness to meet human needs and aspirations.

The reductionism of philosophical materialism and political economism resonate strongly in the Bank's Articles of Agreements of 1960 and 1989: "The purposes of the Association are to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world"[29] The amended version of the Articles of Agreement from 1989 is not very different in this respect, stating that the purposes of the Bank are

> ...to promote private foreign investment ... to supplement private investment by providing finance for productive purposes... to promote long-range balanced growth

---

[27] ibid, p. 193
[28] ibid, p. 326
[29] World Bank, *Articles of Agreement*, http://www.worldbank.org/ida/idaart02.htm

> ... thereby assisting in raising productivity, the standard of living and conditions of labour[30]

In both instances, economic growth is expected to automatically raise the standard of living, not acknowledging the need to address the distributional implications of economic growth. This economistic and capitalist outlook on development has been the main target of World Bank critics who argue that despite all its "people first" rhetoric, the simplistic reductionism of overly economistic development thinking is still very much alive in the Bank's practice. The Bank may have shifted its emphasis slightly from a state-led approach after the war until the 1970s to a market-led period from the 1970s till the mid-1990s, and recently, again to a more favourable view on the role of the state in the development process. However, the critics maintain that the Bank's underlying commitment is and always has belonged to the market rather than the people.

Academics in the development field have recently argued that the dominance of positivist/empiricist epistemology in social theorizing has reinforced the economism of practitioners in the development field. Economic indicators are preferred, because the successes in terms of economic growth or private sector development are "readily quantifiable" and in the case of the World Bank, they "fit well with the technical and apolitical organizational culture".[31] Quantifiable results obtained through positivist research is considered superior to qualitative research that is typically more apprehensive of uncertainties and diversity of circumstances and often does not produce clear-cut results. Robert Wade points out that

> The research [of the Bank] must be largely quantitative, for numbers and economic technique themselves confer authority. Research that meets these criteria helps to [...] maximize authoritative reputation externally...[even if] ...its conclusions are not necessarily those that are most consistent with the evidence.[32]

---

[30] ibid

[31] Michelle Miller Adams, *The World Bank: New Agendas in a Changing World*, London: Routledge, 1999, p. 36

[32] Robert Wade, "Japan, the World Bank and the Art of Paradigm Maintenance", *New Left Review*, 217, p. 3-37, May/June 1996, p. 35

This preference for "hard facts" biases the search for both problems and solutions toward economic factors at the expense of social, political and cultural ones.

Critical literature on the World Bank challenges the primacy that the World Bank grants to economic factors for development. Moderate critics argue that economic growth is *one* necessary but not sufficient condition to improve the situation in borrowing countries and attack the Bank for neglecting other vital social, political and environmental factors that are of at least equal importance. More radical critics argue that integrating borrowing countries in the global economy by establishing capitalist market economies in those countries causes the very problems (poverty, inequality and environmental degradation) that it pretends to solve. For them, the inherent contradiction of the capitalist mode of production will lead to a centralization of capital, overproduction and underconsumption and thus produce inequality, crises and poverty. For example Paul Cammack asserts that

> The World Bank and other institutions, far from disseminating recipes for development that will benefit all sectors of society, are constructing a legitimizing ideology that conceals the contradictions of capitalism as a global system, translates its structural requisites into a universal programme and re-presents it as a remedy for the very human ills it generates.[33]

Critics from the anti-capitalist camp usually stress the extent to which poverty in borrowing countries is a problem of distribution rather than economic output. However, the profound changes in development thinking and practice advocated by anticapitalist theorists cannot be expected to ever appear on the World Bank's agenda, as will be shown in the following chapters. Nevertheless, even the UNDP Human Development Report in 1990 supported a similar position to a certain degree, stating that "countries can make significant improvements in human development over long periods - even in the absence of good growth ... through well-structured social expenditure" and observing that on the other

[33] Paul Cammack, "Neoliberalism, the World Bank and the New Politics of Development", pp. 157-179, chap. in Kothari and Minogue (eds.), *Development Theory and Practice*, 2002, p. 160

hand "despite rapid periods of GNP growth, human development may not improve significantly if distribution of income is bad and social expenditure is low."[34]

These findings reverse the conventional framing of the poverty question, which usually takes the lack of economic productivity as its starting point and postulates that problems of inequity and security would be solved once a sustainable economic growth rate has been achieved. The Washington consensus indicates a universal recipe to be prescribed as a trigger to foster growth: liberalisation and privatization. In contrast to this, Ravi Kanbur and David Vines produce a compelling argument that the cause-and-effect relationship between those factors is actually the reverse and thus advocate equity and security as starting points for growth-promoting policies, which also implies being more cautious about liberalization and privatization policies that may bring enhanced risk to the poor. They conclude that "with care, an emphasis on equity and security as a prerequisite for market liberalisation is, paradoxically, more likely to lead to policies which deliver growth in the next century than a mindset which takes market liberalisation as *the* prerequisite for all of growth, equity and security."[35] While their approach still upholds the ultimate goal of economic growth, they advocate the primacy of social concerns (equity and security) both as an end in themselves (since development should serve the people and not the market) and as a means to create economic growth.

According to critical theory, then, an adequate solution to the problem of poverty can only be achieved if we move away from a materialistic understanding of poverty to one that includes issues of equity and security as well as the lack of access to decision making processes, education and opportunities to voice problems from one's own perspectives in a larger definition of poverty as multiple processes of marginalization.

---

[34] United Nations Development Programme (UNDP), *Human Development Report*, New York: Oxford University Press, 1990

[35] Ravi Kanbur and David Vines, "The World Bank and Poverty Reduction", chap in Cristopher L. Gilbert, and David Vines, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000, p. 103

The above arguments suggest that a development strategy that primarily focuses on the alleged benefits of a capitalist economic system in which the market is assumed to bring about the best outcomes is highly contestable. In spite of this, this model of development is still widespread and popular among World Bank officials and borrowing countries alike. David Moore observes that "today, 'the market' seems to be accepted by all except Marxist mastodons and Polanyist pretenders as the best way to organize social life."[36] The conviction that markets are efficient harbingers of prosperity has become a firmly established part of common sense and orthodox theorizing and according to some observers the World Bank plays an integral part in the dissemination of these neoliberal doctrines: "The World Bank is now mobilizing massive resources for an explicit strategy of establishing the new neo-liberal orthodoxy as the common sense of the age."[37]

I have argued above that material and ideological factors are mutually constitutive and that it is impossible to establish a unidirectional cause-effect relationship between economic base, and superstructures. Rather, material, ideational and institutional structures coexist in a way that there is no way of knowing the particular configuration of their relations a priori. Change can emanate from any of the three moments (material conditions, ideas and institutions) that constitute a Gramsican "historic bloc"; and only a careful historical analysis can shed light on their relative importance at any given moment and place. Critical theorists have argued that in modern societies ideological battles take precedence and need to be the starting point to achieve changes in the economic realm. This debate will be examined in the next section.

[36] David B. Moore, "Sail on, O Ship of State, Neo-Liberalism, Globalization and the Governance of Africa", *Journal of Peasant Studies*, Vol. 27(1), pp. 61-90, 1999, p. 70
[37] Paul Cammack, "Neoliberalism, the World Bank and the New Politics of Development", chap. in Kothari and Minogue (eds.), *Development Theory and Practice*, 2002, p. 176

The importance of non-economic factors

Many critical theorists consider the dismantling of the neoliberal ideological hegemony as the first step of an emancipatory approach to development. They argue that in order to improve the current situation of borrowing countries the emphasis needs to be shifted from the material or economic sphere to the ideological. The material conditions of poverty cannot be adequately dealt with in the current framework of neo-liberal ideological hegemony since in the current context of late capitalism or post-fordism, cultural-intellectual autonomy is seen as a precondition for the realization of other modes and levels of autonomy.[38] For example Shamsul Haque argues that

> although most proponents (both conservative and radical) of historical determinism, who believe in preordained laws of social change, emphasize economic autonomy as a precondition for cultural-intellectual autonomy ... in reality there has been a shift in this configuration towards a more determining role of the latter mode of autonomy. ... This human autonomy in the cultural sphere is not only significant in its own right, it has also become central for changes in the socio-economic realm itself.[39]

Gramsci conveys this idea in his argument for a shift from a war of manoeuvre to a war of position.[40] This must not be understood as an abandonment of his original revolutionary project but rather as a change in strategy in light of the differences between feudal and modern society. He argues that opposition forces struggling to bring about social change cannot succeed through a direct attack on the state or political society but need to first penetrate the complex superstructures of civil society where power is not coercive but operates through consent. Joseph Femia reaches the same conclusion in his analysis of Gramsci arguing that

> Gramsci came to view hegemony as the most important face of power, the 'normal' form of control in any post-feudal society, and, in particular, the strength of bourgeois

[38] n.b. while I find Haque's overall argument valuable to a certain extent, I consider his terminology of "autonomy" unfortunate. Clearly, one is never "free" to choose one's frame of mind independently. Cultural-intellectual autonomy I think is therefore best understood to mean a mindset conducive to a critical awareness as opposed to conformity

[39] Haque, *Restructuring Development Theories and Policies*, 1999, p. 198/199

[40] It is important to keep in mind that Gramsci wrote in an entirely different historical context and aimed to advance a very different political project. However, his explanation of hegemonic rule and social change which he which he arrived at through his study of the Italian left at the beginning of the twentieth century have been appropriated by social theorists in many different fields and many aspects of his analysis seem well suited for studying the situation of the poor in borrowing countries.

> rule in advanced capitalist society, where material force is resorted to only in periods of exceptional crisis.[41]

Importance is given both to ideological hegemony and to the underlying material relations of force but primacy is given to the former. In order to fully understand this line of argument it is helpful to analyze the Gramscian notion of ideological hegemony in greater detail.

At the heart of Gramsci's conceptualization of hegemony lie questions about social cohesion and domination. Orthodox theorizing focuses our attention to the way in which behaviour is influenced *externally* through rewards and punishments and officially through laws and regulations. For Gramsci, this politico-juridico domination through coercion is only one side of the coin, equally and currently even more important is the *internal* control, which operates through intellectual and moral leadership, moulding personal convictions into a replica of prevailing norms. The latter is intimately linked to culture and social-moral common sense and is exercised through the ensemble of educational, religious and associational institutions of civil society.[42] There is a dynamic element in Gramsci's conceptualization of hegemony since consent is gained through concessions, which give the impression of change by marginally improving the situation of those who suffer under the conditions of the given order. Gramsci observes that

> the fact of hegemony presupposes that account be taken of the interests and the tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed – in other words that the leading group should make sacrifices [...] But there is no doubt that such sacrifices and such a compromise cannot touch the essential[43]

To illustrate the difference between these minor adjustments in the form of concessions and revolutionary change, Gramsci distinguishes between conjunctural and organic movements, a distinction that has been taken up by contemporary theorists like Robert

---

[41] Joseph V. Femia, *Gramsci's Political Thought -, Hegemony, Consciousness, and the Revolutionary Process*, Oxford: Clarendon Press, 1981, p.31
[42] for an excellent discussion of Gramsci's conceptualisation of hegemony see Femia, *Gramsci's Political Thought*, 1981, pp. 23-61
[43] David Forgas (ed.), *An Antonio Gramsci Reader*, 1988, p. 211

Cox who talks about problem solving and critical theory. The former consists in political criticism of minor, day-to day character and aims at conserving and defending the existing structure by trying to cure its contradictions, the latter questions the very parameters within which problem solving approaches work. This critical engagement with the prevailing conceptualization of the world order or "common sense" is of utmost importance for Gramsci. These common sense conceptions of the world are disjointed, episodic and contradictory, forming an incoherent whole. Gramsci talks about a contradictory consciousness to express these characteristics. Only through critical reflection can we gain a *systematic understanding* of the contradictions that exist in the current order, which is necessary to develop an effective strategy for change. Actors (individuals and groups) are *aware* of the contradictions, an awareness that manifests itself when one's conduct contradicts one's thoughts or affirmed words:

> the 'active man in the mass' expresses a great deal of agreement with or at least passive acceptance of, the dominant conception of the world (if in naïve, common-sensical form); but on the situational level, he reveals not outright dissensus but nevertheless a reduced level of commitment to the 'bourgeois' ethos, because it is often inappropriate to the realities of his class position.[44]

However, without critical consciousness to organize and act on the perceived contradictions, social discontent occasionally expressed through deviant behaviour lacks direction. Moreover, individuals are likely to "accept passively and supinely from outside the moulding of one's personality" and will "take part in a conception of the world mechanically imposed by the external environment, i.e. by one of the many social groups in which everyone is automatically involved from the moment of entry into the conscious world"[45] The problem of absorbing imposed conceptions of the world and living them uncritically is that they contribute to people's subordination by making them appear as natural and unchangeable. Hegemonic consent thus cannot be understood to

---

[44] Femia, *Gramsci's Political Thought*, 1981, p. 47
[45] ibid., p. 325

consist in satisfaction with the concessions granted. For many it may simply consist in the belief that it is, even if undesirable, the only viable form of society. Femia states that for Gramsci consent

> emerges not so much because the masses profoundly regard the social order as an expression of their aspirations as because they lack the conceptual tools, the 'clear theoretical consciousness', which would enable them to effectively comprehend and act on their discontent [...] The active man in the masses lacks the means with which to formulate the radical alternative implicit in his activity.[46]

This inability to formulate an alternative is partly due to the fact that language itself serves a hegemonic function: "If abstractions like 'democracy' or 'liberty' are identified with existing institutions, this will present a barrier to the diffusion of alternative images of society."[47]

Common sense thus must not be understood as 'false consciousness' since it is at the same time locus of contradiction and thus potential for critical consciousness. Criticism takes common sense as its starting point but ultimately aims at the superseding of 'common sense' so as to understand and react upon the contradictions and problems in a particular context. The new conception of the world is thus already nascent in the common sense. Giving expression to the contradictions experienced means to create an organic movement that does not impose itself from the outside but draws out, elaborates and gives direction to elements of critical awareness and 'good sense' which are already present in people's common sense: "This is the healthy nucleus that exists in common sense, the part of which can be called good sense and which deserves to be made more unitary and coherent."[48] The key for the successful organization of an organic movement lies in its proximity to the masses, Gramsci's organic intellectuals who will provide the critical consciousness to break out of the dominant ideology and give expression to the

---

[46] Femia, *Gramsci's Political Thought*, 1981, p. 44
[47] ibid
[48] Gramsci, David Forgas (ed.), *An Antonio Gramsci Reader*, 1988 p. 329

discontent are in intimate contact with the popular common sense which is their source of the problems they set out to study and resolve.

The above is no more than a cursory introduction to Gramsci's thoughts. The picture drawn by Gramsci is far more complex. Given that common sense arises partly in response to the immediate environment, Gramsci points out that there are many "common senses" or conceptualizations of the world. However he also thought that in a stable society, there must be a base of agreement (consensus) so powerful that it can counteract the division and disruptive forces arising from conflicting worldviews. This agreement is about the values, norms, perceptions and beliefs that support and define the structures of the societal distribution of benefits and the legitimacy of the institutions of authority. For Gramsci, the main problem with hegemonic consent lay in the fact that it worked to the advantage of the ruling class and contributed to the subjugation of the subordinate classes while being perceived as natural and unchangeable. Femia summarizes this as follows:

> The masses, Gramsci seems to be saying, are confined within the boundaries of the dominant world-view, a divergent, loosely adjusted patchwork of ideas and outlooks, which, despite its heterogeneity, unambiguously serves the interests of the powerful, by mystifying power relations, by justifying various forms of sacrifices and deprivation, by inducing fatalism and passivity, and by narrowing mental horizons.[49]

This interpretation of Gramscian hegemony connotes an intentionality behind common sense perceptions, making it sound as if the oppressors purposefully deceived the masses. In contrast to this, I would want to argue that Gramsci considered all members of the society to be socialized into the common sense of the day. He certainly thought that the ruling classes engaged in political struggle to maintain the status quo and he realized that the institutions in civil society like the school, the church or the media formed part of the force that conserved the given structures. However, one has to be careful not to exaggerate the extent to which the ruling class is able to manipulate the masses. Gramsci

[49] ibid, p. 44/45

did not share the pessimism of other critical theorists like Marcuse who seemed to suggest that the bourgeoisie was able to create an all-powerful discourse so that all possibilities of self-awareness and emancipation were lost in a social order where "false consciousness is immune against its falsehood."[50] Gramsci vehemently rejects a simplistic understanding of consent as the intended delusion of the subordinate classes. He remarks that this is the analysis of economism where

> the political struggle is reduced to a series of personal affairs between on the one hand those with the genie in the lamp who know everything and on the other those who are fooled by their own leaders but are so incurably thick that they refuse to believe it.[51]

In order to understand Gramsci's position it is necessary to recall that he postulates a dialectical relationship between material and ideational structures. The experience of material hardship thus limits the extent to which subordinate classes internalize a common sense that works to the advantage of the ruling classes only. On the other hand those who are benefiting the most from the status quo often do not experience the contradictions of the current order and may therefore be less likely to engage in criticizing the common sense of the day and more likely to be firmly committed to the current ideas and values in society. Femia observes that

> In Gramsci's conception, where a man falls on the continuum between absolute commitment and total rejection is intimately related to his socio-economic conditions. Those who experience pain from the existing distribution of income, power and status though often sharing much of the consensual pattern of belief, also have contrary inclinations. A society unjustly inflicting the distress of exclusion or deprivation cannot wholly succeed in assimilating into its affirmative consensus those whom it mistreats.[52]

There is almost a kind of standpoint epistemology implied here, where those who are most disadvantaged by the current system of thought and current institutions of authority may be best able to articulate its (mal)functioning and contradictions.

---

[50] Herbert Marcuse, *One Dimensional Man*, London: Sphere Books, 1972, p. 23/34
[51] Gramsci, David Forgas (ed.), *An Antonio Gramsci Reader*, 1988, p. 217
[52] Femia, *Gramsci's Political Thought*, 1981, p. 45

How can the Gramscian notion of hegemony enhance our approaches to development?

A Gramscian approach challenges us to question the framework with which we approach the problems of development. As I have argued above, most social theorizing does not question the global capitalist economic system and a world made up of states as the fundamental parameters of our contemporary world order; they are taken as given, natural, unchangeable – and good. Dallaire observes that the World Bank's development strategies, despite ample evidence concerning the instability of a crisis prone global economic system, clearly reflect the position that "the external environment is fundamentally 'good' and countries must learn to turn it to their advantage" resulting in a situation where the system does not adapt to the needs of poor countries but instead "countries are asked to adjust to a system that can punish them even if they do exactly what they are instructed"[53] And I would argue this is the general attitude reflected in the "making the 'benefits' of globalization work for everybody rhetoric". In contrast, a critical approach will question the very tools of our analysis, making clear that the starting point for fundamental social change should be an awareness of our everyday-conception of the world. Without questioning the neo-liberal doctrine implicit in orthodox development strategies, development will remain in the realm of "problem solving", tempering some of the adverse symptoms that arise from the current order but never addressing the root causes.

Writers like Haque or Escobar usually attribute the failure of past efforts of development to the lack of genuine willingness to improve the situation of the borrowing countries. In their analysis, the whole idea and practice of development is just one of the

---

[53] Sebastian Dallaire, "Continuity and Change in the Global Monetary Order", chap. in John J. Kirton, George M. Von Furstenberg (eds), *New Directions in global economic governance*, Burlington, USA, Ashgate, 2001 p. 95

means through which rich countries can reinforce their dominant position in the global order and exploit the borrowing countries more efficiently:

> Constant and *all-pervasive* propagation and reification through the global means of cultural-intellectual influence has led third world countries to accept [...] falsities and fabrications, emulate Western economic models and cultural norms, solicit investment from TNCs, seek external economic aid and military assistance and thus perpetuate their own subjugation to the hegemonic structure.[54]

However, I have argued above that the flavour of conspiracy theory in some critical theory does not reflect Gramsci's theory of hegemony adequately. I do not find the argument that development agencies intentionally misguide borrowing countries to reinforce their own powerful position in the international structure very convincing. One is not compelled to assume the degree of intentionality behind the outcomes of development efforts postulated by some critical theorists when looking at the distribution of costs and benefits. I think that Gerald Schmitz's understanding of hegemony is more accurate in this respect, he observes that

> In fact, Northern experts are themselves trapped within the comforting conceits and fertile mystifications of the hegemonic paradigm – which remains, cosmetics aside, profoundly undemocratic: patriarchal as well as elitist, and 'functional' mostly in its capacity to reproduce structural relations of unequal power within societies and between the North and the South.[55]

From this perspective, there is no reason to doubt the good intentions of western development efforts. – World Bank staff are most likely genuinely convinced that the establishment of a stable market economy and a rapid integration into the world market is the best way to improve the situation for the borrowing countries. Assuming a dedication to development goals however does not mean to presume a radically altruistic idealism. It is certainly also true that the search for solutions is limited to those that do not adversely effect the interests of the most powerful members of the World Bank and favours those

---

[54] Haque, *Restructuring Development Theories and Policies*, 1999, p. 202

[55] Gerald J. Schmitz, "Democratization and Demystification", chap. in David B. Moore and Gerald J Schmitz, (eds.), *Debating Development Discourse:Institutional and Popular Perspectives*, New York: St Martin's Press, 1995, p. 58

solutions that seem to coincide with their interests. I thus suggest that powerful members are able to shape operations so that they are not adversely effected and, if possible, so that they coincide with their interests, but this is very different from the accusation that powerful members intentionally abuse the Bank to serve their interests at the expense of exploiting the borrowing countries under the guise of serving the latter.

Conclusion

In this chapter, I have argued in favour of a sustained engagement in development efforts despite the past failures and despite the ethical problems involved. I think that the role rich countries played in the past as colonial powers and slave traders and the fact that they have gained and continue to gain part of their wealth through the exploitation of the borrowing countries obliges them to take on responsibility for the consequences of their actions like imposing unviable territorial boundaries and political systems. Others rest the argument for sustained assistance on the moral basis of a common humanity and alleviating suffering. But even if one does not agree that there is a moral obligation towards those countries, a more realist type of argument would be that it is in the rich countries' own interests that the borrowing countries succeed in solving their problems, many of which adversely affect the rich countries as well.

If one accepts the argument that we must not abandon the idea of development, the question arises how to ensure a more successful strategy than that applied in the past. I have suggested that a critical and emancipatory approach to development is necessary to avoid the past failures of assuming a wrong universalism or an overly technocratic and economistic approach to development. Gramsci's conceptualization of hegemony can give us valuable insights how this approach to development might best be advocated focusing our attention on the question of how the current dominance of neo-liberal thinking may be overcome. In Gramscian analysis "ideologies are anything but arbitrary; they are real historical facts which must be combated and their nature as instruments of domination must be revealed."[56] Gramsci stresses the importance of everyday life and institutions in civil society as loci for political struggle. The World Bank can thus be seen as one institution that should be scrutinized to identify points of least resistance where the idea of emancipatory development could be pushed forward most effectively and this will be the purpose of the next two chapters.

[56] Gramsci, David Forgas (ed.), *An Antonio Gramsci Reader*, 1988, p. 217

Chapter 2

The World Bank's deadlock:

Obstacles to Change in the World Bank's Appraoch to development

The introductory chapter demonstrates that past failures of development efforts warrant a change in development theory and practice. I also argued that critical approaches which advocate a move toward emancipatory development strategies are the most promising. Having established the need for changing the mainstream approaches to development in the first chapter, the second and third chapters will be concerned with the question of whether and how this change could be brought about in the case of the World Bank. This chapter will discuss impediments to change in the World Bank development policies and the next the opportunities for change. Based on the assumption that emancipatory development goals should take primacy over other considerations; "change" will be understood to mean redirecting the Bank towards these goals.

The Bank performs multiple roles and functions and incorporates many divergent actors and interests. Tensions between these various roles and the different actors arise as views on which aspect should be prioritised differ. The first part of this chapter will discuss the contradiction inherent in development banks by focusing on the dynamics between their threefold identities and how the structural requirements for each of these roles as well as tensions between them hamper changing the Bank's approach to development. The main roles of the Bank, it will be argued, are: the Bank as a bank, the Bank as a development agency and the Bank as an intellectual actor. Overall, the Bank's identity as a financial institution prevails in this "competition" between conflicting identities. Consequently, there are perpetual incentives for the World Bank to increase its lending volumes which will be discussed in the second section. Overall, there are immense difficulties in bundling the threefold role of the bank into a coherent whole.

In the following part, I will examine how the World Bank's organizational culture increases the Bank's inertia. Subsequently I will illustrate how this culture is perpetuated by the mechanisms of recruitment and promotion which favour economistic and neoliberal approaches to development. Finally, I will illustrate how vested interests of individual members, particularly the United States, constitute further obstacles to change.

The obstacles of changing the Bank's approach to development may prove to be insurmountable. The structural requirements of international capital markets cannot be ignored by the World Bank; neither can the borrowing countries' concerns about their sovereignty which makes necessary the apolitical guise of the Bank's operations. The World Bank also seems an unlikely candidate to assume by itself the role of exerting pressure to advocate fundamental changes in the international economic system at large.

The contradiction of development banks: the threat of recurring debt crises

There is an inner contradiction in the very idea of a development bank: projects may succeed, but countries may remain undeveloped. Both in the case of policy based lending and project based lending the individual policy reform may have been introduced or the particular project may have been completed. However, this does not mean that the country will have achieved the financial capacity to accumulate surpluses and be able to pay the debt. If the country remains "underdeveloped" in the sense that its per capita stock of capital is insufficient by the time it needs to repay its debts, the development bank will actually be an obstacle to the development of that country. Luis Carlos Bresser Pereira recognized this dilemma observing that "Development economics and the Bank's founders did not pay enough attention to the fact that capital flows in the form of loans will reverse sooner or later."[57] In sum, unwise borrowing and unwise lending may reproduce

[57] Luiz Carlos Bresser Pereira, "Development Economics and the World Bank's identity crisis", *Review of International Political Economy*, Vol. 2(2), 1995, pp. 211-247, p. 231

the debt crisis infinitely. While the threat to the stability of the international banking system might not be as acute now as it was in the 1980s, debt crises are going to recur if the limited capacity of the Bank to lend and of the countries to borrow is not considered more carefully. However, the short-run interests of ruling elites in borrowing countries, the profit motive for the commercial banks and the bureaucratic expansion motive of the Bank are all strong structural incentives to ignore these problems and spread a poorly founded optimism that granting credits will invariably help to improve the situation.

When the Bank was created, the assumption was that the Bank would finance countries in a similar way to investment banks financing industrial projects: The Bank borrows money on international markets at slightly favourable rates because it has an AAA credit rating (the best possible) and then lends the funds at a small margin to countries which would otherwise have been able to borrow only on significantly less favourable terms if at all. Apart from its IDA funds, which are lent on concessional terms, the Bank is constrained to charge regular interest rates and fees for its services – the same as commercial banks charge. Consequently, it has to follow the logic of private banks: the logic of profits, the standard financial rule that, in the medium term, disbursements should be smaller than amortization plus interest rates and fees. The Bank cannot forever increase its capital and the borrowing capacity of a country is limited by its future capacity to pay. Therefore, the cash flow will inevitably turn negative at some point. If the Bank's operations are to be successful in terms of performing the role of a development bank, it would have to commit to providing a positive cash flow to the borrowing countries until they are "developed". In practice, the flow has been reversed for most countries: it has become negative, although a satisfactory stage of growth has not been achieved.[58] The Bank has consequently ceased to perform the role of a development bank, turning into a hindrance of development rather than furthering it. The

---

[58] ibid. p. 212

hindrance consists in the fact that countries will have to commit large parts of government spending to servicing their debts, often diverting scarce resources from basic services like health care and education. This has negative impacts on development and can turn into a vicious circle that has ended in bankruptcy for some countries. Stiglitz succinctly summarizes this dilemma:

> If a loan does not increase an economy's resources, unless it is explicitly aimed at achieving other social objectives, it leaves future generations more impoverished, since they inherit the indebtedness. And even if it does achieve some other social objective, the tradeoffs need to be considered.[59]

And Kanbur observes that "the theoretical literature in international economics is replete with analyses showing how the paradox of immiserizing transfer can occur."[60] I think that there is a general reluctance to recognize the fact that World Bank credits may constitute an obstacle to development goals in the long run. However, Anne Krueger, former research director of the World Bank, observes that in 1989, "the Brady Plan[61] gave official acceptance – so long denied - to the view that the existence of debt itself might be a barrier to the resumption of growth in heavily indebted countries."[62] Even if the problem has found formal recognition in some circles, strong incentives persist for both the Bank, the borrowing countries and the commercial Banks to retain the potentially harmful lending patterns of the past.

The Bank's organizational culture - technocratic, elitist and apolitical

In addition to its institutional identity as a Bank, its conservative organizational culture

---

[59] Joseph Stiglitz, *An Agenda for Development for the Twenty-First Century*, World Bank, p. 11
[60] Ravi Kanbur, *IFI's and IPG's: Operational Implications for the World Bank*, 2002, http://www.arts.cornell.edu/poverty/kanbur/IFI-IPG.pdf (accessed Sept. 23rd), p. 5
[61] The Brady Plan, named after US Treasury secretary Nicholas Brady, was adopted in 1989 and constituted a major step in resolving the debt crisis. Following the plan, Brady bonds were issued by the US as a substitute for non-performing loans of third world countries. These bonds replaced the debt to commercial lenders by bonds of lower value that were honoured by governments.
[62] Anne O. Krueger, quoted in Catherine Gwin, "U.S. Relation with the World Bank 1945-1992", chap. in Devesh Kapur, John P. Lewis, Richard Webb, (eds.), *The World Bank: Its First Half Century*, Washington D.C.: Brookings Institution Press, 1997, p. 195

constitutes a major obstacle to emancipatory change. Paul Nelson defines organizational culture as the "values, ideologies, practices, myths and ceremonies within an organization that give it meaning, identity and coherence internally."[63] The Bank's organizational culture creates structural biases so that the Bank searches out and selects only the kind of information for decision making which is in accordance with its values and ideologies.[64] Contradicting factors are more likely to be overlooked or reinterpreted to fit the preconceptions, thus impeding the Bank's capacity to learn or to change. The importance of these frameworks or standard operating procedures for decision making have been analyzed by theorists like Allison. He emphasizes the difficulty organizations have to "learn" or to adapt to new circumstances because organizations tend to follow preestablished routines which offer a predetermined and limited range of possible actions.[65]

Michelle Miller-Adams observes exactly these processes in her study of the organizational behaviour of the World Bank. She finds that the Bank's organizational culture acts "as a filter, enabling some concerns to be addressed more thoroughly than others and shaping how new issues are defined." Thus, new agendas "become incorporated into the Bank's day-to-day activities to the degree that they conform (or can be shaped to conform) to its core technology, technical and apolitical norms, and the values and beliefs of management and staff."[66] In sum, the Bank's organizational culture can be compared to Gramsci's notion of common sense as described in chapter one at a micro-level: it socializes the staff into a certain kind of behaviour and does not allow for alternative courses of action. And like Gramsci's notion of common sense, the Bank's organizational culture is not entirely static. In order to keep certain core values intact,

---

[63] Paul J. Nelson, *The World Bank and Non-Governmental Organizations – The Limits of Apolitical Development*, London: Macmillan Press Ltd, 1995, p. 143
[64] ibid., p. 144
[65] Graham T. Allison, *Essence of decision : explaining the Cuban Missile Crisis*, New York, Longman, 1999, chap. 3
[66] Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 138/139

there is a certain dynamic element to an organization's culture but these minor adaptations to changing circumstances will be discussed in the next chapter.

The disbursement imperative

The prevalence of the Bank's role as a financial institution described in the first section has become a deeply entrenched aspect of the Bank's organizational culture. According to the Articles of Agreement, the World Bank is a "not-for-profit"-organization in that the returns on investment and loan related incomes are partly retained as reserves and partly re-issued as loans under the Bank's IDA, IFC or Heavily Indebted and Poor Countries (HIPC) programmes; the shareholders do not make any profit. This not-for-profit status of the Bank may give the impression that the Bank will attribute more importance to the development outcomes than to the lending volume since there is no profit to be made for the shareholders. In practice, the Bank considers its lending volume of utmost importance nevertheless. World Bank staff will consider it very important to ensure the continued existence of the World Bank and to make the Bank as powerful a player as possible - and the Bank's power depends on its size.

This self-interest of institutions to perpetuate their own existence and expand their powers is a widely observed phenomenon in organizational theory. Instead of pursuing merely the goals that the institution was founded upon, organizations tend to take on a life and interests of their own. Rather than performing only or even mainly the functions the member-states envisaged for the Bank, Bank staff will be motivated by personal career opportunities and see a powerful World Bank as conducive to personal goals. In the case of the World Bank, the reputation and power of both the staff and the institution itself is closely tied up with the lending volume achieved. Strong incentives to increase the lending volumes thus exist despite its not-for-profit status and in addition to the structural requirements of the financial markets because of the "self interest" of the Bank to maintain uphold its reputation. Miller-Adams points out that

> there are strong incentives for the Bank to continue to lend, especially to its large borrowers, even if all the terms of a loan are not complied with. One fear is that if lending slows, the Bank will shrink in size and become a less central player in the international economy.[67]

In the case of a debt crisis as described above, where the Bank is owed a considerable sum by a borrower on the brink of insolvency, it is in the Bank's institutional interest to ensure that the borrower is able to service this debt, even if this means lending the borrower new money to do so. This incentive to continue lending beyond the borrowing countries' capacity is partly due to the need to uphold the myth of infallibility, professionalism and expertise that the Bank has constructed around itself. The Bank's leadership in the field of development economics and, even more importantly, its creditworthiness are based on the claim of technical expertise. The World Bank is one of the largest and most creditworthy borrowers, issuing bonds in global capital markets on highly preferential terms. Insolvent countries undermine this status since they hint at the fact that the logic of World Bank operations are flawed and that its approach to development has led to outright disasters in some cases. Partly because of this, the Bank has never declared a country in default even when loans have remained in non-accrual for many years and has instead preferred to issue new loans.[68] This fear of losing credibility when admitting mistakes or changing strategy makes major reforms or changes virtually impossible even when the need for change has been recognized. Wade's conclusion on this aspect of the Bank's identity is uncompromising. He states that the "Bank's legitimacy depends upon the authority of its views, it cannot afford to admit fallibility."[69] Joseph finds that if at all, the Bank and its major shareholders "might favour marginal change, dressed

[67] Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 18
[68] see for example Annual Report 1997, p. 135 At the end of fiscal year 1997, loans to six countries, amounting to 2.2 percent of the IBRD's portfolio were in non-accrual status.
[69] Wade, "Japan, the World Bank and the Art of Paradigm Maintenance", 1996, p. 35

up as consistent with the original rules of the present system because they see their credibility at stake."[70]

Because of its not-for-profit status, many politicians and academics did not fully acknowledge the extent to which the Bank operates like a commercial bank. Consequently, they also failed to point out the imperative for the Bank to adhere to rigorous financial standards in its lending programmes. In the financial markets, the Bank is exposed to the ongoing judgements about whether it is conducting itself appropriately in terms of the strict financial policies in the capital markets, managing its resources "profitably" from a purely financial viewpoint. These judgements shape the Bank's organizational culture and reinforce the priority it places on its banking activities.

Emancipatory development inherently places a lot of emphasis on the local and would favour decentralized, community based, micro credit projects. However, the Bank's structure as a bank favours large-scale projects with lower transaction costs and larger lending volumes. Even if the Bank's research findings confirm the need for emancipatory development, the structures of the Bank as a financial institution hinder a move towards these goals. These apolitical and technical norms will be examined in more detail in the following section.

The apolitical/technical norm

The above section demonstrates that the Bank's reputation in the financial markets as being creditworthy ultimately rests on the financial capitalists' version of 'sound' lending conditions or macroeconomic policies that arise from the context of the global political economy at large.

The Bank's global operational environment will be examined in greater detail in chapter four, but it is important to realize at this point that the Bank does not operate in a

[70] James W. Joseph, "Stasis and Change in the IMF and World Bank: International Context and Institutional

vacuum. The Bank cannot free itself from the judgements of international capitalists and has to follow the rules of the international financial markets. Both real and imagined requirements of the global political economy have become firmly engrained into the Bank's organizational culture and limit the Bank's freedom of action; so do international laws concerning state sovereignty and non intervention.

The need to comply with the realities of the financial markets constrains the Bank in its actions and constitutes a serious obstacle to change. This conservatism arises from both the *technical terms* that force the World Bank to act as a commercial bank and the *normative aspects* that dictate certain policies following the common sense understanding of development issues of the day. The prevailing understanding of development still advocates the kind of universalistic and overly economistic approaches criticized in chapter one. Financial capitalists think that only *one* set of rules should apply to all participants in the international economy and that those should adhere to the neo-liberal values as expressed in the Washington consensus.[71] Consequently, to structure the Bank as an extremely conservative financial institution that follows this set of rules is perceived to be an important technical requirement to meet the Bank's need of establishing its creditworthiness[72] in the capital markets. Shareholders and Bank staff seem to fear that non-adherence to technical norms prevalent in international credit markets may result in losing the reputation as a sound financial institution. According to them, this might not only threaten the Bank's triple A credit rating (i.e. its ability to borrow at the best rates on world money markets) but might lead to a loss of confidence on part of its member-states and financial capitalists. Whether or not the need to establish its creditworthiness continues to

---

Dynamics", *Social Science Journal*, Vol. 37(1), p. 43-66, 2000, p. 53

[71] see Wade, "Japan, the World Bank and the Art of Paradigm Maintenance", 1996, p. 15

[72] n.b.: Another important factor for the Bank's creditworthiness is its "preferred creditor" status, which means that borrowers repay the Bank before all others, not only to continue receiving disbursements of World Bank loans but also to remain in the good graces of other international lending institutions. Again, Miller Adams points out that "Over the years a normative consensus has formed among lending institutions and borrowing countries alike that treating the World Bank as a preferred creditor is a central part of playing by the rules of international finance." op. cit., p. 19

be as central as it was in the first decades of the Bank's existence has been disputed by critics of the World Bank. They suggest that "The Bank's creditworthiness has been established for decades and its credibility as a development institution no longer requires the ongoing demonstration of technical expertise." They further argue that these technical norms have been used as a pretext to prevent the Bank from changing in certain directions: "Occasionally, the requirements of the World Bank as a financial institution have been used by management to resist new initiatives pressed for by member countries or others."[73]

The belief that macroeconomic policy decisions are a technical, apolitical matter that can be determined scientifically is also reflected in the Articles of Agreement which continue to perpetuate the Bank's organizational culture. The Bank's culture thus perpetuates the common sense understanding of the international economy at the time of the Bank's inception. For example, the apolitical and technical norms are explicitly emphasized in Article IV section 10 which is entitled "Political activity prohibited" and states that

> The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced 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...[74]

This apolitical norm is further reinforced by Article III section 2 which determines that

> Each member shall deal with the Bank only through its Treasury, central bank, stabilization fund or other similar fiscal agency and the Bank shall deal with its members only by or through the same agencies.[75]

And, although policy conditionality has always been part of the Bank's work, the Article III section 4 (vii) restricts the scope of the Bank to make loans in support of specific policies,

---

[73] ibid., p. 25; p. 26
[74] *IBRD Articles of Agreement* as amended effective February 16, 1989, Washington D.C., p. 8
[75] ibid, p. 3

requiring that "Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of *specific projects* of reconstruction or development."[76]

These sections in the Articles of Agreement clearly reflect the belief that economics and politics are separable – the Bank shall not interfere in the political affairs and only take economic considerations into account. As I have pointed out in chapter one, critical theorists have persuasively argued that the separation between politics and economics as postulated by mainstream development and economic theory depoliticises development processes at the expense of the marginalized. Distinguishing between politics and economics in this fashion renders underlying issues of unequal distributions of power, class conflicts and competing interests of different groups invisible behind a guise of technical and allegedly neutral language. While this techno-speak will deal satisfactorily with *technical* questions of how to solve problems that arise in a given order, it forecloses *ethical* questions about the legitimacy of the order itself in terms of equality, justice or freedom. Critical political economists have stressed the extent to which political and economic processes are intertwined in a dialectical relationship where political interaction is the means by which economic structures are established and transformed. Moreover, economic agents employ political resources to affect the terms of competition so that political interaction is as central for economic development as the process of economic competition itself. A market is therefore best understood as a *political* device to achieve certain outcomes, conferring relative benefits and costs on others in both political and economic terms.[77]

According to this line of argument, the World Bank's apolitical norm is an organizational *myth*. Miller-Adams argues that "the point about such a myth is not whether it is true or false but that it plays an essential role in an institution's self-conception and

---

[76] ibid., p. 4, emphasis mine
[77] see for example Geoffrey Underhill, "Changing Global Order", chap. in Richard Stubbs and Geoffrey R.D. Underhill, *Political Economy and the Changing Global Order*, 2000

quest for legitimacy."[78] In the case of the Bank's apolitical myth, it is obvious that this portrayal is false. Baldwin points out that the Bank's operations are clearly political in several ways. Bank activities have political effects in that they alter the distribution of influence both within and between international actors. Baldwin also maintains that staff unavoidably take political considerations into account in its lending, despite the formal ban on doing so.[79] The recent shift in the past two decades from project based lending to policy based lending and increased conditionalities has made the political component in the Bank's conduct even more obvious. Additionally, Leftwich has pointed out that an apolitical approach to development is unfeasible because

> development is not simply a managerial question, as the World Bank's literature of governance asserts, but a political one. All processes of development express crucially the central core of politics: Conflict, negotiation and cooperation over the use, production and distribution of resources.[80]

However, depicting the Bank's identity as apolitical has increased its credibility and legitimacy in the eyes of the international community and its borrowers. The Bank has over 180 members that span a wide variety of ideologies and political cultures and that are often jealous in guarding their sovereignty. Miller-Adams observes that "In order to lend to countries with different types of political regimes and maintain enough support to underpin its steady expansion, the Bank has had to adhere to a set of strict technical criteria and portray itself as "above politics."[81] Only through the official avoidance of politics is the Bank able to work with such a diverse group; it can claim that its advice is based on a wealth of technical knowledge, information and research: the Bank undertakes research in well over 150 countries, bringing together the world's largest concentration of development economics specialists. Ngaire Woods concludes that this research capacity is what makes that Bank a "legitimate advisor: the Bank's status as a technical agency

[78] Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 22
[79] see David Baldwin, "The International Bank in Political Perspective", *World Politics*, Vol. 18(1), 1965
[80] Adrian Leftwich, "Governance, Democracy and development in the Third World", *Third World Quarterly*, vol. 14, pp. 605-424, 1993, p. 621
[81] Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 23

gives governments a publicly acceptable reason for accepting its advice."[82] That is why the Bank still tries to uphold the apolitical myth and to cloak the overtly political interference in the borrowing countries in technical language, portraying political aspects like good governance and good policy environment as "technical" requirements for successful loan performance. The result is a depoliticised, technocratic conception of the state that does not allow for an analysis of the political economy based on class or power and reduces politics and governance to ensuring the smooth functioning of the market. For example, the Bank's East Asian Miracle Report lists as the priorities for state activities the "simple institutions [...] the most basic underpinnings of markets [...] ranging from land titling and the collateralisation of movable property to laws governing securities markets, the protection of intellectual property and competition law."[83] The scope of state actions is thus already narrowly predetermined, actors and interests are taken as given and the fact that politics is as much about the construction of different identities and interests as it is about the allocation of resources between them is ignored. The above amounts to a tricky paradox for the Bank: it may be that its apolitical guise is necessary to win the confidence of sceptical member states but on the other hand it makes more overt political activities impossible. This seriously harms the Bank's development efforts since conceptualizing development practice as apolitical leads to the economism criticized in chapter one; politics is reduced to providing a good policy environment for business. Kiely criticizes the World Bank for precisely these apolitical implications of its development approach:

> In focusing on governance, the Bank has reduced the politics of development to a purely technocratic issue. Wider social and political interests are largely ignored, and so the need for better governance linked to a "free enterprise" economy is reduced to rhetoric. There is no analysis of the vested interests, both within and outside the state, which may win or lose...[84]

---

[82] Ngaire Woods, "The Challenges of Multilateralism and Governance", pp. 132-159, chap in Gilbert, and Vines, (eds.), *The World Bank: Structures and Policies*, p. 139
[83] World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, Washington, Oxford University Press, 1993
[84] Ray Kiely, "Neo-Liberalism Revised? A Critical Account of World Bank conceptions of Good Governance and Market Friendly Intervention", *International Journal of Health Services*, Vol. 28(4), pp. 683-702, 1998, p. 691/692

Furthermore, the Bank's apolitical approach creates a paradox for development strategies that advocate democracy and emancipatory development. The Bank purports to promote democracy but at the same time has previously fixed prescriptions for government policies which do not leave much possibility for a democratic decision making process; it is "democratic" only in the context of social and political forms that already concede the principles of the World Bank. Schmitz succinctly describes this paradox in his observation that "World Bank 'participation' as opposed to self-empowerment ends up reinforcing the Bank's role, even though more real democracy in developing countries would quite likely reduce it."[85] The Bank's role is reinforced because the countries become reliant on the Bank's policy-prescription rather than instituting genuine democratic processes.

In sum, the apolitical and technical norms not only constitute an obstacle for change in general but impair emancipatory change in particular because the technical imperatives, like the apolitical norm, impede critical investigations of the current order.

The Bank's hierarchical and elitist culture

The belief that development can be achieved through technical and apolitical means and the mastery of technical knowledge based on objective and rational analysis has led to a flawed confidence in the ability to find the "best" solutions to the problems. The Bank staff seem convinced that they have a monopoly on the "right" answers in its dealings with borrowing countries. Nicholas Stern and Francisco Ferreira express concern about this ethnocentrism stating that

> It is not always easy for those at the Bank's headquarters in Washington D.C. to understand that a Washington perspective on the world is far from universally shared. It is worrying that there often appears to be a conviction in the Bank of a monopoly on good sense.[86]

---

[85] Gerald J. Schmitz, „Democratisation and Demystification", chap. in David B. Moore and Gerald J Schmitz, (eds.), *Debating Development Discourse:Institutional and Popular Perspectives*, New York: St Martin's Press, 1995, p. 30

[86] Nicholas Stern with Francisco Ferreira, "the World Bank as 'Intellectual Actor'", pp. 523-609, chap. in Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p. 589

This creates an arrogant and elitist attitude towards borrowing countries. Wade states that the Bank established the "need for a clear message" as a formal criterion when treating borrowing countries since "on-the-one-hand/on-the-other-hand statements are thought confusing to the intended audience of policy makers."[87] Consequently, Bank staff present ideas that are congruent with the mainstream as the only possible option for borrowing countries; thus foreclosing alternative courses of action even when the choices are less than obvious. Stiglitz describes this top-down attitude of the Bank as follows:

> When the system worked "well", the international Monetary Fund (IMF) and the World Bank would meet *behind closed doors* to decide on a *unified view* concerning what conditions to impose on the country, or what policies to recommend to the country. Divergences in view were frowned upon; it was suggested that such disagreements were *confusing* to the country. Views about the appropriateness of the policies were presented with a *false sense of confidence* in their efficacy. *Alternatives* with different risk and distribution consequences were not presented to the country *for its own choice.*[88]

This hierarchical structure prevails not only in the Bank's relationship with borrowing countries but is also characteristic for its organizational culture internally. According to Nelson, each type of organizational culture (hierarchy, market, sectarian or egalitarian) tends toward a distinct set of values and kind of behaviour: "Hierarchies emphasize efficiency, specialization and division of labour, justifying inequalities on efficiency grounds"[89] Thompson and Wildvasky find that organizations with a hierarchical culture limit an organization's capacity to learn and change because their information search is geared towards upholding the status quo rather than advocating change:

> Hierarchies are concerned with maintaining the existing order. [...their legitimacy rests] on science and expertise; the right person in the right job most capable of making the right decision. So hierarchies search for new information to do a better job of *holding together the existing social order.* [They] are slow to discard old truths, returning to the old until the new can be comfortably accommodated with the existing order.[90]

---

[87] Wade, "Japan, the World Bank and the Art of Paradigm Maintenance", 1996, p. 31
[88] Joseph E. Stiglitz, Introduction to Gilbert and Vines (eds.), *The World Bank: Structures and Policies*, 2000, p.1-9, p. 4 (emphasis mine)
[89] Nelson, *The World Bank and Non-Governmental Organizations*, 1995, p. 144
[90] Michael Thompson and Aaron Wiladvsky, "A Cultural Theory of Information Bias in Organizations", *Journal of Management Studies*, vol. 23, pp. 273-86, p. 283

In sum, the apolitical, technical and elitist organizational culture of the World Bank has been shown to be a considerable obstacle for emancipatory change in the development practice of the World Bank. The next section will examine how the Bank's recruitment and promotion procedures contribute to perpetuating this culture.

The Staff of the World Bank: recruitment, promotion

The World Bank's economistic bias and conservative organizational culture manifests itself also in its hiring and promotion practices. Miller-Adams observes that

> The Bank's recruitment and hiring of staff trained almost exclusively in economics, finance, and other specialized fields has contributed to the persistence of the apolitical and technical norms that characterize the Bank's organizational culture.[91]

In 1996, the Bank reported a ten to one ratio of economists to non-economists, but these figures could be misleading because they take only the Bank's regular and fixed staff into account and the Bread for the World Institute's estimate for the same year claims that there are 28 economists for every one non-economic social scientist.[92] Stern and Ferreira gathered data about the Bank's Policy, Research and External Affairs section and found that "by far the largest number of individuals held degrees in economics or finance, at both the undergraduate (46% of the sample of 294) and at higher levels (55% of the sample of 465)"[93] No other discipline was found to be similarly strongly concentrated; the second highest numbers were in engineering at only 14% for the undergraduate level and 9% for higher levels. The Bank's Young Professionals programme shows an even stronger bias toward economic and business backgrounds: as of 1999, according to the application material, applicants were required to have "a masters degree (or equivalent) in economics, finance or a technical field." While the official requirements have changed

---

[91] Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 27
[92] Bread for the World Institute, "Gender Justice and the World Bank", *Development Bank Watchers' Project*, Silver Spring: Bread for the World Institute, 1996
[93] Stern with Ferreira, "the World Bank as 'Intellectual Actor'", pp. 523-609, chap. in Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p. 586

recently and applications from social scientists are also accepted, this has not yet translated into a changed hiring practice. About one third of each year's new class hold PhDs in economics, another third have MBAs and the rest have advanced degrees in some other technical field, such as engineering or environmental science.[94] The prevalence of economics and business degrees held by YPs is important because the YP program is the Bank's fast track recruitment mechanism and YPs tend to move quickly into managerial positions. Many of the Bank's most prominent managers as well as its rising stars began their careers at the Bank as YPs. Overall, economists are even more predominant in higher positions in the Bank's hierarchy: "In general, most upper-level decision makers are economists," and, "[m]ost non-economists who work at upper levels are 'advisors.'"[95]

The Bank demonstrates a strong selection bias in its recruitment not only in favour of certain disciplines but also in that it hires only from a very narrow range of institutions. There are no national quotas for hiring and English is the only working language in the Bank. This might be the reason for a strong bias in favour of US and British institutions (the location of the Bank in Washington may also play a role here). Nearly 60% of Stern and Ferreira's sample attended American schools and another 20% British institutions, together composing nearly 80% of the sample. According to their evaluation of the data, "the question arises of whether the professional staff may not be excessively homogenous and be looking at the world at a particular way."[96] They also discuss the fact that there is an obvious bias in the US curricula, concentrating on US examples and embracing a strand in political philosophy that is "oriented toward individualism and against the state" and reflects a "somewhat extreme market ideology". They subsequently observe that "US

[94] Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 28
[95] Annis Sheldon, quoted in Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 28
[96] Stern with Ferreira, "the World Bank as 'Intellectual Actor'", pp. 523-609, chap. in Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p. 587

graduate schools [...] have shown less interest in applied welfare economics, poverty, and income distribution than their counterparts elsewhere."[97]

Because an academic background in economics or finance from a certain institution does not itself guarantee an adherence to the Bank's culture, the socialization process into the Bank's views plays another important role for the preservation of the organizational culture. In addition to the recruitment procedure the promotion mechanism further means that, once hired, those who best adhere to the Bank's norms will be most successful and move most rapidly into the highest positions. Compliance with the disbursement norm is the easiest to detect and there is clear evidence on the incentive structure in this respect. Nelson observes that "the disbursement imperative has become the effective standard of success used by the Bank and by many of its observers."[98] Advising that a project is too shaky for a loan, or for following through on a project once the loan is signed does not gain any credits. As a result, the disbursement imperative leads to speedy project preparation: Staff time per project is limited because the incentive structure rewards quantity of loans issued so that "too much is required to be done in too little time while preparing a project."[99] The goals the Bank pursues in its role of development agency are thus compromised by the structure of the banking system which evaluates staff on the basis of the number and size of loans concluded to keep the lending levels high even though this does not necessarily fit the needs of the Bank's clients.

Adherence to the other norms and values also leads to a successful career since senior staff seek out successors who have the same values and interests as they do. - A quick and complete socialization into conforming with the Bank's belief-system is rewarded through quick promotions. Susan George and Fabrizio Sabelli succinctly describe the self-perpetuating nature of this socialization process:

---

[97] ibid, p. 686/587
[98] Nelson, *The World Bank and Non-Governmental Organizations*, 1995, p. 88
[99] ibid, p. 104

> Like any institution, the Bank has its own self-reinforcing culture and its codes which set the limits on what can be reasonably believed and discussed if one hopes to be taken seriously and remain a member of the group... Put in the same place several hundred people who have been trained in the same schools to think in the same way, recruit them precisely because they have excelled in this training... the probable cultural outcome will be – at least among the economists – monolithic and fundamentalist.[100]

The resulting narrowness of perspective leaves little scope for alternative and emancipatory development thinking.

The Bank and its powerful players

Finally, the fact that the Bank's operations are overly politicised internally, especially due to the hegemonic position of the US, is also a major obstacle to an emancipatory development agenda. Among the powerful members the US stands out as the most privileged in being able to influence the Bank's decisions to follow its priorities. While these pressures might sometimes lead to changes in the Bank's approach to development, they are included in this section on obstacles to change because they arise from the national interests of powerful member states and not from a concern for development processes in borrowing countries. Following the illustration of US influence in the Bank, I will discuss the Japanese pressures on the Bank to take different stance on government intervention. Japan's activities were also motivated by its national interest but they challenged the American laissez faire ideology. Splits in the elite of the World Bank member states can sometimes produce beneficial outcomes for developing countries but the actors are still the dominant states, borrowing states remain without any influence on the outcome of these disagreements. Emancipatory change would consist in shifting the decision-making powers in favour of the borrowing countries.

US hegemony has its origin in its powerful position in the aftermath of the Second World War. The US was the crucial party in designing the Bank and has played a

[100] Susan George and Fabrizio Sabelli, *Faith and Credit – The World Bank's Secular Empire*, London:

dominant role ever since. However, the US has considered the Bank more as a foreign policy tool than a development agency. For example, Catherine Gwin states that

> From the outset the United States considered the Bank an instrument of US foreign policy and used its influence to try to ensure that the Bank practices promoted development in ways that complemented US long-term goals and short-term political and economic interests. Although the United States is not the only donor country to use its influence to pursue national interests, the wide scope, frequency and intensity of its pressure distinguishes it from other donor countries.

and that

> US pressure has [...] obliged the Bank to wage a constant fight for its autonomy... [This] has hindered its effective functioning. [The Bank] has spent far too much time, attention, and caution in developing loan proposals and has given inadequate consideration to potential risks and alternative approaches. [101]

The criticism that the Bank's operations are too politicised may seem counterintuitive since I have criticized above that the Bank's procedures are too apolitical and overly reliant on the myth of a scientific approach to development that is based on expert-knowledge and technical considerations when dealing with borrowing countries and discussing the measures to be adopted in the field. By accusing the Bank of being overly politicized internally I mean that the decision making process is too politicized, especially for granting the loans. Effectively, the US considered the Bank as an instrument of foreign policy to offer or deny funds to "reward friends, punish enemies, or advance any number of other objectives defined by domestic constituency groups or immediate foreign policy aims."[102]

US privileges are for one part ensured through its Articles of Agreement which guarantee the US the only veto right amongst its members and the right to appoint the president (and the history of the Bank shows that the choice of the president is crucial to the life of the institution). As a result of this, it has become a requirement for the president

---

Penguin Books, 1994, p. 102

[101] Catherine Gwin, "US Relations with the World Bank, 1945-1992", pp. 195-274, chap in. Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p.243 and 269

[102] ibid, p. 249

to be a US citizen. Gwin states that "The basis of US dominance derives, on the most fundamental level, from the origins of the Bank and the fact that its Charter and guiding principles have a distinctly American cast."[103] The United States has always had dominant influence on the Executive Board and management of the Bank by virtue of being the largest shareholder and the votes being distributed according to shares held. Moreover, the Articles of Agreement require that the Bank obtain permission of any country to borrow in its currency. This allowed the US to influence the Bank's policies by threatening to deny access to the US capital market. The role of the dollar in general is another matter on which the US and the Bank have been in dispute for many years because the US holds a unique position among member countries in that it does not assume any exchange risk in its capital contribution to the Bank since the value of Bank capital is maintained in terms of a fixed rate of exchange between special drawing rights and the dollar.

In addition to special treatment through the Articles of Agreement, US dominance is also exerted more informally: the US is the only member state to closely monitor the Bank's activities and review all the loan proposals in detail. The US government has privileged access to Bank files that differs significantly from that of other members.

Moreover, the US is sometimes consulted on a matter before other members are and until recently regularly received early drafts of papers and studies.[104] Forty percent of the Bank's top managers are US citizens, the majority is trained in the US, ensuring that the outlook is based on the assumptions and methodologies of Anglo-American liberalism and neoclassical economic thought. Other-minded economists are unlikely to be employed and those employed are well aware that US consent is needed for any loan proposal to go forward to the Board with any chance of success. Woods observes that "When the United States does not approve of a loan or a policy, it is unlikely even to come before the

[103] ibid
[104] see ibid, pp. 243-250

Boards. Rather, a less direct form of influence over the staff and management of the Bank will prevent the staff from even proposing the loan."[105] Efforts to retune the Bank towards an emancipatory approach to development are thus further compromised by an unequal internal distribution of power that favours the lending countries and especially the US.

Examples of how the US uses the Bank as an instrument of foreign policy in support of specific US aims and objectives can be found throughout the Bank's history from the very beginning until today. The inception of IDA and later of the IFC, with their requirements for regular replenishment, led to an increasing activism on part of Congress, which held the IDA and the IFC hostage at several times to press for certain US concerns. The US would bring a different list of demands of specific policies and/or operational reforms to each IDA replenishment talk, but the size of the US contribution was a constant issue of dispute; the US demanded reductions of its share of the funding at almost every replenishment round.

During the 1950s and 60s, US concerns that the developing countries would succumb to the influence of communist ideology and the offers of support from the Soviet Union influenced the Bank's lending decisions more than any consideration of the borrowing countries' future capacity to repay the debt; the poverty-ridden countries in South Asia, America's neighbours in Latin America and later the emerging states of Africa as well as countries in the Middle East all became recipients under a program of assistance. That the countries of the developing world achieve economic growth and social stability was perceived to be an essential American interest and crucial for American security in the

---

[105] Ngaire Woods, "The Challenges of Multilateralism and Governance", chap. in Gilbert and Vines, (eds.), *The World Bank: Structures and Policies*, 2000, p. 134

context of the Cold War.[106]

The US bias was not confined to security concerns of the Cold War; economic interests played an important role as well so that the approval of loans was politicised both according to geographic and a sector-priorities arising from US security concerns and economic interests. For example, in 1971, the US had cast its first "no" vote on a Bank loan to Guyana as part of a policy condemning expropriation of US private property in 1971 and the Gonzalez amendment of 1972 *required* the Congress to oppose World Bank loans to countries that confiscated US investments. Moreover, the US exerted considerable influence on the sectors that the Bank would issue loans for. Congress objected to Bank lending that would lead to an increase in the production of commodities that could compete with US commodities.[107]

Within the context of changing foreign policy concerns and new geostrategic challenges in the aftermath of the Cold War, preferences in the lending policies shifted as well. In the 1990s, economic concerns were paramount and security concerns played a secondary, albeit important role. Particularly the integration of Russia and the former

---

[106] The following are some examples of controversial and politicised Bank decisions: In 1948, when Yugoslavia broke with the Soviet bloc, the Bank stepped in with loans. The US-supported Somoza regime in Nicaragua received a disproportionate number of loans, which directly played a role for US activities in Central America like the 1954 overthrow of the Guatemalan President Jacobo Arbenz and the 1961 Bay of Pigs invasion of Cuba. Iran was heavily supported between 1957 and 1974 in light of its antagonism toward Soviet-sympathizing Iraq. Indonesia under General Suharto was high on the priority list because of US strategic concerns about South East Asia and communist insurgency; despite substantial levels of corruption and its human rights record. Turkey had a similar strategic importance for the US and also a close relationship with the Bank. In the 1970's, the US administration, in response to congressional pressure, made the reduction of India's and China's shares of IDA resources a condition of IDA negotiations and conservative members of the Congress led an initiative to stop lending to Vietnam and five other socialist countries. Examples taken from Catherine Gwin, "US Relations with the World Bank, 1945-1992", pp. 195-274, chap in. Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p.207-220 and Ngaire Woods, "The Challenges of Multilateralism and Governance", chap. in Gilbert and Vines, (eds.), *The World Bank: Structures and Policies*, 2000, p. 145-146[106]

[107] The following are some examples of US influence to stop Bank loans to certain sectors: In 1977, Congress adopted legislation requiring U.S. executive directors at each of the multilateral banks to oppose loans for the production of palm oil, citrus crops, and sugar. In 1978, export commodities, including mineral commodities that were in surplus in world markets and could cause substantial injury to US producers were added to the list. And in 1989 Congress extended its legislative restrictions by mandating the US executive director to vote against loans that would subsidize development of export industries in countries engaging in dumping or other unfair practices against the US. For certain other commodities, notably steel, mined products, oil and gas, it was the US administration even more than Congress that strongly opposed Bank lending. Taken from Catherine Gwin, "US Relations with the World Bank, 1945-1992", pp. 195-274, chap in. Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, pp. 259-261

Soviet bloc into the world economy stood out as a new focus during the 1990s and US defined priorities were also influencing other lending decisions to Gaza, Bosnia and Herzegovina or continued interest in Mexico.[108]

Overall, US policy toward the Bank can be summarized to pursue a threefold strategy: First, to use the Bank to promote the stability and growth of a free and open world economy, second to ease the burden of the United States of providing the necessary assistance by leveraging funds from the private market and other industrialized countries and third to support countries of importance to the US. Gwin argues that the findings of the 1982 Treasury report which assessed the costs and benefits of US participation in the Bank and concluded that all three of these objectives are being realized are still true two decades later.[109]

In sum, the arguments presented above show that the US has shaped and directed the institutional evolution, policies and activities of the World Bank more than any other country. This is not to say that the US always gets its way; there are also examples where the Bank successfully resisted US pressures and preferences. Nor do I want to suggest that the US policy impositions have always led to bad development outcomes, a question which would need a careful case-by-case analysis of loans and outcomes and cannot be resolved here. However, the fact that "loans made despite strong opposition by [the US] are the exception,"[110] and the Treasury's conclusion that "the policies and programs of the World Bank Group have been consistent with US interests"[111] illustrates the problems for advocates of emancipatory approaches to development: the stronghold of the US over the Bank leaves virtually no scope for the countries to take their development efforts into their own hands; initiatives that go against US interests are not only bound to fail but unlikely to

[108] see Ngaire Woods, "The Challenges of Multilateralism and Governance", chap. in Gilbert, and Vines, (eds.), *The World Bank: Structures and Policies*, 2000, p. 147
[109] Catherine Gwin, "US Relations with the World Bank, 1945-1992", pp. 195-274, chap in. Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p.209 and pp. 270-274
[110] ibid, p. 263
[111] ibid, p. 270

even arise since recruitment and hiring practices are ideologically and geographically biased. Ascher observes that

> Any signal of displeasure by the U.S. executive director has an almost palpable impact on the Bank leadership and staff, whether the signal is an explicit complaint or simply the executive director's request for information on a problem[112]

Gwin finds a high degree of willingness in the Bank to "make changes in loan and policy proposals on US recommendations."[113] The above arguments concerning the Articles of Agreement, the firmly established organizational culture and the recruitment and promotion procedures all indicated that a certain bias in favour of US interests and values exists within the organization. This last section has indicated that even if voices existed within the organization that did not concur with this preferential treatment, outside pressures from the US Treasury and Congress through the Executive Director are usually strong enough to ensure that the US will get its way. This situation is intolerable for emancipatory approaches to development that consider ownership of the development process for developing countries as an end in itself. For these emancipatory efforts to succeed, it is of crucial importance for the World Bank to gain greater autonomy from US pressures – or pressures of other powerful member states since the US is certainly the most influential but by no means the only country to pursue its own economic and policy interests through the World Bank. France typically tries to rally support for diverting resources to French Africa, many Western European states, especially Germany want Eastern Europe to receive loans and Japan favours South East Asia. Japan has risen to be the Bank's second largest shareholder since the mid 1980s[114] and as such also exerts considerable influence.

---

[112] William Ascher, "The World Bank and US Control", pp. 115-40, chap in M. Karns and K. Mingst (eds.), *The United States and Multilateral Institutions: Patterns of Changing Instrumentality and Influence*, London: Routledge, 1992 p. 124

[113] Catherine Gwin, "US Relations with the World Bank, 1945-1992", pp. 195-274, chap in. Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p. 248

[114] Japan was the number two shareholder in IDA from its inception in 1960, by 1984 Japan became second shareholder in IBRD, by 1990 in IFC and 1992 in the IMF

The case of Japan is interesting because Japan's development philosophy of directed credit differed remarkably from the Bank's (and the American) laissez-faire outlook of the 1980s. Japan's main concern was the Bank's blanket opposition to directed credit policies, a strategy which had led to a clash of interests between the Bank and Japan since it was widely practiced by Japan but undermined the Bank's policies. Japan paid for the study on the "Asian Miracle" and also pressured the World Bank to publish another study of the World Bank on the industrialisation in Korea, India and Indonesia, which had initially been opposed because it was considered to endorse government intervention too strongly. Wade observes that

> Japan has encouraged recipient governments to think more strategically and in more interventionist terms, to articulate national objectives and policy choices, to catalyze market agents, to assist industries

and that

> Japan uses its aid as seed money to attract Japanese manufacturers or other industrial concerns with an attractive investment environment.[115]

This strategic use of subsidized and targeted or earmarked credits by Japan has caused disputes between Japan and the World Bank because it threatens the Bank's claim of political impartiality. The "Asian Way" of sector specific industrial policies would require discrimination in terms of government capacity and corruption. In contrast to this, World Bank publications initially interpreted even the most obviously state-led development trajectories as the result of market forces. Japanese pressure ultimately led the Bank to admit that extensive government intervention has played a key role in the success of the

[115] Wade, "Japan, the World Bank and the Art of Paradigm Maintenance", 1996, p. 34

newly industrialised countries in South East Asia.[116] Ultimately, Japan succeeded in having the Bank's views changed slightly to a "market friendly" rather than "free market" perspective that accommodated some of its views. Wade concludes that it was only due to Japanese pressure and willingness to pay for the study that led the "The East Asian Miracle Revisited" publication

> to endorse, or at least make some concession to, [the Japanese] non-orthodox views about development principles. The mere centrality of the issue in the development debate would not have been sufficient to prompt the Bank to make a special study.[117]

Developing countries typically have neither the influence nor the resources to advocate issues at the top of their agenda in similar ways and suffer under the undemocratic structures and unequal distribution of power within the Bank. These structural features of the Bank reproduce the oppressive structures in the international system at large rather than counteracting them to empower the marginalized.

The arguments presented in this chapter have summarized the obstacles to change in the Bank's approach to development as they arise both from the realities of the financial environment and global political economy that the Bank operates in and from the perceptions and beliefs – the common sense we have concerning this environment. Many of the points are not peculiarities of the World Bank but are frequently found in large bureaucracies. An understanding of this institutional inertia of large organizations is necessary to develop strategies to expand the Bank's capacity to "learn."

Some theorists have argued that the Bank is already aware of most of the problems

---

[116] Some authors like Berger and Beeson raise their doubts whether the new found enthusiasm for the state will survive since the Asian or Japanese way seems to be undermined by the recent crises, which often seems to be attributed to precisely the sort of cooperative relations between business and government. Governments may be associated with cronyism, corruption and inefficiency rather than effective planning. However, I do not think that the crisis had a strong impact on Japanese influence. The publication has brought the World Bank to put new questions on the agenda and triggered a whole series of new research and publication that produced new insights on the state and institutions in development, which would otherwise not have been gained. The introduction of this new line of thought in the World Bank, I think, will remain consequential regardless of the current performance of the Japanese economy. See Mark.T. Berger and Mark Beeson, "Lineages of Liberalism and Miracles of Modernization: the World Bank, the East Asian Trajectory, and the International Development Debate", *Third World Quarterly*, Vol. 29(3), pp. 487-504, 1998

[117] ibid., p. 32

outlined above and that "there is a strong sense in which the World Bank implicates itself in the failure of development and acknowledges a degree of responsibility,"[118] As a response, it has been argued, the World Bank initiated far-reaching changes in its organizational structure as well as in its approach to development during the last decade. These theorists point to major internal reforms initiated by Wolfensohn as a proof for the Bank's capacity for adjusting and improvement. The identification and evaluation of the changes that have taken place in the Bank over the past decade and how they have come about will be the subject of my argument in the next chapter.

[118] John Pender, "From Structural Adjustment to 'Comprehensive Development Framework": Conditionality transformed?", *Third World Quarterly*, pp. 397-411,vol. 23(3), 2001, p. 405

Chapter 3

Initiating change in the World Bank:

The Strategic Compact, the Comprehensive Development Framework, the Knowledge Bank and the role of the state

The question of whether change in the World Bank is taking place or not is discussed controversially in the literature with some scholars maintaining that "there can no longer be any doubt that some sort of intellectual and ideological upheaval is taking place within the World Bank"[119] while others complain about the "comparative stasis in the institution."[120] The previous chapter gave an overview of the factors that inhibit change. In this chapter, I will analyze the factors that have been conducive to change in the Bank's development policies over the past decade.

The 1980s had been a difficult decade for development. The Bank faced harsh criticism for its failure to deal adequately with the debt crisis in general and the structural adjustment programs were criticized severely for their socially disastrous consequences. As a result, the Bank is now eager to brush up its image. It presents a dynamic picture of itself, portraying the institution as learning, adjusting and receptive to the criticism of the 1980s and early 1990s in many of its recent publications: "Lessons learnt" from past experiences and the "new" visions resulting from them always play a prominent part in the World Development Reports and speeches by presidents or chief economists.[121] The "post-Washington consensus," it is argued, gives serious consideration to issues such as health, education, environment, poverty reduction and ownership.[122] Furthermore, the new approaches allegedly led to a change in lending policies. Capacity building, market regulation and more effective law enforcement have climbed up high on the agenda.

[119] Ben Fine, "The Developmental State is Dead, Long Live Social Capital?", *Development and Change*, Vol. 30(1), p. 1-19, 1999, p. 1
[120] Joseph, "Stasis and Change in the IMF and World Bank", 2000, p.43
[121] All the forwards of the WDRs between 1989 and 2002 make reference to lessons learn or experiences from the past.
[122] ibid.

This "lessons learnt" image fits perfectly with the Bank's preference for slow and incremental change and with its universalistic and teleological conceptualization of development. This image expresses a degree of continuity with past endeavours and at the same time a notion of progressive change on the Bank's successful path to development.[123] In contrast to this discourse of a dynamic Bank, I will present a more differentiated picture of developments in the World Bank, arguing that Bank's views remain largely unchanged in terms of postulating the creation of stable market economies to foster economic growth as the key to development. The Bank's view on *how* these liberal goals are best achieved has altered considerably over the past decade but the general economistic outlook has remained the same. Liberal values of competition, integration into the world economy and deregulation continue to form the core of the Bank's identity and organizational culture and influence its policies. I will present the case that the changes that do take place typically result in protecting these values more effectively.[124] Changes are thus usually not of the emancipatory kind identified as desirable in chapter one. Before evaluating the changes in the next chapter, I will use this chapter to examine the questions of what changes have actually taken place and what were the driving forces for these changes.

Changes identified can be broadly separated into those arising from internal initiatives and those that are externally driven. This distinction, however, is an artificial one since internal processes within the Bank are also influenced by the external academic and economic environment. On the other hand, the Bank also influences external economic and academic trends through its authority, expertise and research activities. Internally, change can arise from the Bank's own monitoring and evaluation of its activities as well as personal initiatives by Bank staff, especially a strong president. As an example of this, I

---

[123] The underlying idea is of course that experiences with some countries in the past will be applicable for others countries in the future, regardless of different circumstances.
[124] The Bank's changed attitude towards the environment arguably constitutes an exception.

will discuss the 'Strategic Compact', the steps introduced by Wolfensohn to improve the flexibility of the Bank. His reforms aimed at transforming the static organizational culture of the Bank to be more dynamic. These internal reforms do not directly cause substantive changes in the Bank's approach to development but they will have an impact on the Bank's information gathering and processing so that changes may come about indirectly in the long run.

Externally, changes in the global political economy, in academia and in the policy-strategies of powerful member states have caused changes in the Bank's development strategies. The most remarkable differences are a transformed attitude concerning the role of the state in the development process, the introduction of the Comprehensive Development Framework into the lending procedure and the reformulation of the Bank's identity as a Knowledge Bank. A difficult question is whether these changes have been changes in rhetoric or changes in practice. Both types of change have crucial but different implications for development processes and it is often difficult to disentangle the two.

What the Bank says is often wrongly taken to be representative for what it does. This may be due to the fact that very few independent evaluations of the World Bank exist and most of the literature *on* the World Bank is also *by* the World Bank and typically hides these contradictions. Some theorists have produced evidence that illustrates a gap between the Bank's rhetoric and practice. For example Nelson observes that the Bank's practice and culture

> contrast sharply with the organization's official image. Bank officials and many public documents portray the institution as learning, responsive, eager to collaborate with NGOs [but] the Bank's organizational culture sharply limits popular participation and NGO involvement it its operations and constrains the organization's ability to learn.[125]

I have discussed at length in chapter two the Bank's need to comply with certain standards in the financial markets to uphold its reputation as a creditworthy institution.

---

[125] Nelson, *The World Bank and Non-Governmental Organizations*, 1995, p. 144

Additionally, the Bank has to maintain a positive image internationally and the socio-political standards that are used to evaluate its development record differ drastically from the criteria used to judge its financial performance. This need to satisfy different actors and audiences with different criteria is one of the reasons for the gap between Bank discourse and practice.

However, as I have argued in chapter one, both discourse and practice play an important role for the development process and changes in the Bank's rhetoric are equally important as changes in the Bank's practice. Changes in Bank discourse are important, even if they do not translate into changing the Bank's actions, because of its intellectual influence. The Bank plays a key part in (re)producing the common sense understanding of development of the day which in turn informs the action of the development community at large.

While it is important to distinguish between World Bank rhetoric and practice when evaluating particular projects or the success of the Bank's development endeavours, I will be less concerned with this distinction because of the impact changes in rhetoric have on the development community at large. High level decision makers in developing countries base their policy decision on World Bank publications and recommendations so that changes in World Bank discourse have important practical consequences regardless of whether the Bank itself puts its own ideas into practice. For the purpose of discussing changes in the Bank's *approach* to development (rather than an evaluation of its operations), the distinction between practice and rhetoric is thus not as important.

The Strategic Compact

In April 1997 the World Bank Board agreed on a major reform initiative, the Strategic Compact. According to the Bank, the Strategic Compact is "a plan for fundamental reform and renewal of the World Bank to make it more effective in achieving its basic mission of reducing poverty."[126] Overall, the vision is that development effectiveness will be increased so that the Bank will be quicker, less bureaucratic and more able to respond continuously to changing client demands and global development opportunities. In order to achieve this objective, the Bank identified four priority areas: reviving demand for Bank business, refocusing the development agenda, retooling the Bank's knowledge base and revamping institutional priorities.

Overall, the aim for the reorganization of the Bank was to push the Bank's internal structures to move towards those appropriate for a 'learning institution': to change the skill mix of its personnel, to give greater presence on the ground, with fewer staff in Bank's offices, delivering better products. The plan envisaged that "perhaps 10 percent of current Bank staff would have to leave, aiming to replace them by recruits who better combined finance skills and development experience"[127] To achieve the vision of a "professionally excellent institution that responds quickly to the evolving and varying needs of its clients"[128], measures taken under the Strategic Compact included:

- establishing a new top management structure (although it contained many old faces)
- bringing in several high-level managers from outside the organization
- initiating a program for select managers to attend short-term executive training sessions at institutions like the Harvard Business School, INSEAD, and the London Business School
- organizing an exchange program under which managers from private sector firms and senior Bank staff trade places for a year or two
- expanding the Bank's internal training program, increasing the number and type of courses offered, and changing the incentive structure to encourage attendance
- providing that internal training courses include attendees from outside the Banks, allowing the Bank Staff to build networks that extend beyond the institution; and
- establishing a program under which government officials or development experts come to the Bank for short stays or serve longer periods as resident advisers.
- working on the Bank's decentralization by shifting resources from overhead and administration to front line operations and locating some of its management staff

[126] http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/
[127] ibid
[128] World Bank Annual Report 1998, p. 3

within regions. The target was set at achieving a 60:40 front-line to back-line ratio compared to the ratio of roughly 50:50[129]

- ad hoc initiatives like the World Faith Development Dialogue or the Global Development Gateway with the general goal of rebuilding technical expertise in key areas of development, and strengthening the Bank's information management system[130]

The initial proposals of the reform plans foresaw additional costs of $400 million over three years for the implementation of the Strategic Compact, with the Bank returning to 1997 administrative budget levels by 2001. The figures published in the Strategic Compact Assessment in March 2001 reported costs of $724 million (18% over budget) and additionally, Wolfensohn requested the Bank's Board approve a budget increase of up to $120 million dollars over the next two years to relieve stress and overload on its staff.

The reformulation of the Bank's identity as a Knowledge Bank is one of the most pathbreaking changes supported under the Strategic Compact and will therefore be discussed in a separate section.

The reformulation of the Bank's identity as a "Knowledge Bank"

Since 1996, the World Bank has been presenting its new image of a 'Knowledge Bank':

> the World Bank Group embarked on a new vision in 1996-to become a Knowledge Bank that spurs the knowledge revolution in developing countries and acts as a global catalyst for creating, sharing, and applying the cutting-edge knowledge necessary for poverty reduction and economic development.[131]

This "Knowledge Bank" label is partly a marketing exercise, emphasizing the Bank's long-standing importance as a source of data, analysis and advice on development issues:

---

[129] other sources actually report a 90:10 ratio of Bank staff in head quarters and regional offices. See Helge Ole Bergesen and Levi Lunde, *Dinasours or Dynamos? – The United Nations and the World Bank at the Turn of the Century*, London: Earthscan Publications Ltd., 1999, p. 173

[130] see Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, pp. 31-32, Ngaire Woods, "The Challenges of Multilateralism and Governance", pp. 132-159, chap in Gilbert, and Vines, (eds.), *The World Bank: Structures and Policies*, 2000, p. 144, and the 1998 Annual Report

[131] see World Bank, http://www.worldbank.org/knoweldgebank/vision.html.

"We have always been a knowledge Bank, we have always provided development knowledge to our clients. What has been the case over the past six or seven years is that the Knowledge Bank idea has made this component much more explicit now."[132] However, the Knowledge Bank idea is more than just a rebranding exercise, the Bank has also made major new investments in people and technology, aiming to improve both internal and external knowledge management. The aims of the Knowledge Bank consist in the threefold strategy of improving internal knowledge sharing, sharing knowledge better with clients and helping to build capacity.[133] Internally, it has improved its training courses through changing its pedagogy, created a set of thematic groups, databases, helpdesks, distance learning facilities and an intranet.[134] Externally, it has expanded its role in producing reports, conducting training and running conferences, and has additionally established a significant web presence.

At first the Bank concentrated on building its own website, which now attracts 5.5 million page views per month and provides the download of an annual equivalent of 1.3 million 200 page books.[135] More recently, the Bank has spun off a series of other web initiatives, such as the Global Development Network, Rapid Response privatization site, and the Development Gateway. The cost of the Gateway alone is expected to be $60 million.

In carving a niche for itself as a Knowledge Bank, the Bank has shifted away from merely focusing on the transfer of capital and the role of key loan provider for infrastructure projects. Instead, it seeks to be a leader in development expertise and knowledge transfers in international development. This idea of knowledge transfer, similar to the idea of technology transfer in the post war period, is clearly expressed in the 1998-

[132] Interview with one of the Bank's Managing Directors, August 21st, 2002
[133] Interview with World Bank Knowledge Management Official, August 19th 2002
[134] ibid
[135] World Bank, Strategic Compact Assessment, World Bank, 2001

99 World Development Report titled *Knowledge for Development*:

> Knowledge is like light. Weightless and intangible, it can easily travel the world, enlightening the lives of people everywhere. Yet billions of people still live in the darkness of poverty-unnecessarily... Poor countries - and poor people – differ from rich ones not only because they have less capital but because they have less knowledge. Knowledge is often costly to create, that is why much of it is created in industrial countries.[136]

The Bank will continue to transfer money to developing countries, and it will also transfer development knowledge and experience. The balance between these activities will differ across countries according to the policy environment. Countries with poor policy environments receive proportionately more advice and lending will be primarily an instrument for transferring knowledge. According to World Bank staff the emphasis on advisory functions means that, "the financial component side of the Bank is becoming less relevant."[137] However, it would be wrong to conceive of these two activities in opposition to each other. Rather, "[they] are complementary, ... the Bank will continue of course as its core business as a financial institution but there is more and more a recognition that if you want to be successful in financial terms you have to be able to manage information knowledge in a productive manner."[138]

The shift in interest towards knowledge, information and learning also makes the Bank play a key role in introducing the characteristics of the informational age to international development discourses. The new concern with the role of knowledge offers it the opportunity to engage with several target audiences beyond the international development community such as advocacy groups, journalists and educators. The influence that the Bank exerts indirectly through its research and publication and its expert status in development is considerable. The Bank combines an unrivalled budget for research with prestige that attracts highly qualified staff and political power that draws international

---

[136] World Bank, *World Bank Development Report 1998/99 – Knowledge for Development*, Washington D.C., World Bank 1998, p. 1

[137] Interview with World Bank Official (former lead economist now Director for public sector management), August 20th 2002

[138] Interview with Bank Expert on information and communications technologies, August 16th 2002

media attention for its pronouncements. Accordingly, the Bank is the leading institution that promotes debate, and fosters consensus, on the conditions and policies which will result in sustainable growth. In 1996, the Bank's research budget amounted to $25 million US or 2.5% of the operational expenditure, dropping from a peak of $36 million in 1992. This means that the World Bank is the world's largest research institute. Additionally, about 30% (!) of the operational budget is spent on economic analysis of a more instrumental kind by operational divisions. This unrivalled wealth of resources to conduct research and its resulting reputation of expertise in development issues, as discussed in the previous chapter, add to the credibility of the Bank's new image.

Moreover, the Bank's political importance and close-to-universal membership mean that it has an additional advantage in drawing attention to its findings and disseminating its publications which are readily available worldwide and often translated into various languages. Moore describes the "media hoopla" which marks the publications of the World Bank's annual development reports of which more than 120,000 copies are distributed each year – many of them for free, especially in developing countries. The Development Reports may constitute an exception among World Bank publications since they are of far greater importance than anything else the Bank publishes but evidence suggests that Bank publications are well read in general. Bank Reports on its own Research Program, using the Social Science Citation Index, found that Bank-authored journal articles are cited 20-40% more often than the average economics and business journal articles.[139] It was pointed out in the previous chapter, that the Bank hires mainly from US and British academic institutions. It is noteworthy that the flow of information also works in the reverse direction: one sixth of the reading-assignments in Tower's compendium of *Development*

[139] World Bank, "Report on the World Bank Research Program", in Stern with Ferreira, "the World Bank as 'Intellectual Actor'", pp. 523-609, chap. in Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p. 590

Economics Reading Lists were drawn from World Bank research publications and journal articles.[140]

The impact of the Bank's publications is not confined to academic institutions but extends to political practitioners in high-level decision making positions. A 1999 Bank survey among 271 high-level policy-makers in 36 developing and transition countries found that

> -84% of respondents use Bank analytical reports
> -respondents rated the Bank their most important information source out of a list of 17 domestic and international organisations
> -the majority of respondents considered the Bank's work "technically sound, relevant and objective[141]

In sum, by declaring itself as a Knowledge Bank, the World Bank makes a conscious attempt to claim for itself leadership in knowledge creation, generation, and dissemination. An important component for the implementation of this leadership role is the new Comprehensive Development Framework which will be discussed in the next section.

The Comprehensive Development Framework

When the Bank launched the Comprehensive Development Framework (CDF) on January 21st 1999, it purported to take a major step to ensure comprehensiveness across both the different aspects of development and the different participants in the development process, and can be seen as a response to the criticism that economic growth has in the past too often been at the expense of social development. On the Bank's website the CDF is described as follows:

> It emphasizes the interdependence of all elements of development - social, structural, human, governance, environmental, economic, and financial. It advocates: a holistic long-term strategy; the country in the lead, both "owning" and directing the development agenda, with the Bank and other partners each defining their support in their respective business plans; stronger partnerships among governments, donors, civil society, the private sector, and other development stakeholders in implementing

[140] ibid.
[141] World Bank, "The influence of World Bank Research on Policy in the Developing World" in World Bank, *The World Bank Research Program 2000*, p. 101

> the country strategy; and a transparent focus on development results to ensure better practical success in reducing poverty. The CDF is essentially a process: it is not a blueprint to be applied to all countries in a uniform manner. It is a new way of doing business, a tool to achieve greater development effectiveness in a world challenged by poverty and distress.[142]

There are currently 50 countries implementing CDF principles which means they develop matrix-based development plans jointly with donor organisations, NGOs and civil society.

The CDF includes

> -an analysis of the nature of the opportunities and problems facing the country, together with knowledge of and experience about the constraints they face, including the government's capacity limits.
> -a shared vision statement that sets out the country's aspirations over the next ten to fifteen years. According to the Bank's guidelines, this vision is about "capturing the aspirations of the people" and therefore an "authentic reflection of the broad aspirations of the country" are considered "more important than realism and concreteness"
> -a strategy covering three to five years, that sets out how the country intends to make progress towards its vision. This strategy in turn is required to be realistic, and framed in terms of concrete time-bound actions geared to delivering specific development results.[143]

It is likely that success in designing a CDF will become a precondition for Bank finance. It is argued that through the CDF governments will be required to commit themselves to raising the quality of their public institutions and to adopting macroeconomic policies which encourage development rather than protect vested interests.[144] The procedures necessary for the implementation of the CDF principles (a long-term holistic vision of needs and solutions, ownership by the country, country-led partnership among internal and external actors, a focus on development results) requires repositioning the Bank as a Knowledge Bank as described above. The process of designing the CDF will enable the Bank to disseminate its ideas and educate states about what it considers to be sound development strategies. Bank staff will spend a considerable amount of time in the design and coordination exercises within which the CDFs emerge. This in turn requires the

---

[142] http://www.worldbank.org/cdf/overview.htm
[143] see ibid and Wolfensohn, A Proposal for a Comprehensive Development Framework, 1999
[144] Christopher L Gilbert, Andrew Powell, David Vines, "*Positioning the Bank*", p. 39-87, chap in Gilbert, Cristopher L. and Vines, David, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000, p.77

implementation of the reforms under the Strategic Compact because current staff is insufficiently trained and inexperienced to perform this kind of interaction with its clients in the field. A further striking change necessary for this initiative to work is accepting a more active role for the state in the development process. As noted above, the CDF advocated an approach to development where "the country is in the lead, both "owning" and directing the development agenda, with the Bank and other partners each defining their support in their respective plans"[145] which means a shift away from the Bank's anti-statism in the late seventies and eighties.

The role of the state

There are no Bank statements that summarize its attitude toward the state in a comprehensive way but several of the World Development Reports (WDR) are a fairly good indicator for changes in this respect.[146] However one has to keep in mind that the World Bank does not publish the reports as official Bank positions but as "a product of the staff of the World Bank" that does not "necessarily reflect the views of the Board of Executive Directors". In contrast, the East Asian Miracle Report is a World Bank document with an 'anonymous' author that sets out an official 'Bank' position.

The Bank's adoption of the Reaganism/Thatcherism philosophy to advocate the "rolling back" of the state until the late eighties or early nineties is discussed in much detail in the literature.[147] The limited range of classical economic policy instruments recommended clearly reflected the Bank's free market ideology: fiscal discipline, controlling inflation, decreasing state spending, reducing balance of payment deficits,

---

[145] The World Bank: http://www.worldbank.org/cdf/ (accessed 12th of March 2002)
[146] for an overview of topics dealt with by WDRs between 1989 and 2001 and the policy recommendations issued see Appendix A
[147] see, for example, Berger and Beeson, "Lineages of Liberalism and Miracles of Modernization: the World Bank, the East Asian Trajectory, and the International Development Debate", 1998, Fine, "The Developmental State is Dead, Long Live Social Capital?" 1999, Moore, "Sail on, O Ship of State, Neo-Liberalism, Globalization and the Governance of Africa", 1999 and Kiely, "Neo-Liberalism Revised? A Critical Account of World Bank conceptions of Good Governance and Market Friendly Intervention", 1998

encouraging competition through exchange rate and trade policies, privatization and attracting foreign direct investment. Berger and Beeson describe the eighties as the decade where the "central prescription which the World Bank increasingly offered to governments in so-called developing countries was that *underdevelopment was caused by excessive state intervention in the economy*."[148] and Moore even speaks of "two decades of anti-statist neoliberalism" before changes occurred in the nineties.[149]

"Bringing the state back in" was a long and piecemeal process in the Bank in the 1990s. The notion of good governance entered the debate in the late 1980s. The 1990 WDR entitled *The Challenge of Development* reviewed 40 years of development practice and toned down the Bank's free-market rhetoric. It analyzed the interaction between governments and markets and recommended 'market *friendly*' policies, thus taking a first step toward acknowledging the importance of state capabilities. The report proposes the following policies as the right areas of activities for states: investment in people, creating an enabling environment for enterprises (competition, infrastructure, institutions), integrating with the global economy, establishing a stable macroeconomic foundation.[150] One of the Bank's staff described these changes in the Bank as follows:

> These are gradual changes that mirror the changes in the outside world. Certainly in the world at large after Thatcher and Reagan the idea that public sector is bad, private sector is good was a big ideological shift reflected in some of the work in the Bank as the private sector development took off a bit more which I think is probably for the best; you need a good private sector but we have also always thought you need a good public sector and this was the shift in the mid 90s and certainly big right now with the put down of the corporate leadership. Government is suddenly the good guy or at least it's necessary. The World Development Report 1997 on the role of the state was an important one for the growth in public sector work, public sector management and anti corruption...[151]

---

[148] Berger and Beeson, "Lineages of Liberalism and Miracles of Modernization: the World Bank, the East Asian Trajectory, and the International Development Debate", 1998, p. 494
[149] Moore, "Sail on, O Ship of State, Neo-Liberalism, Globalization and the Governance of Africa", 1999, p. 70
[150] World Bank, *World Development Report 1990: The Challenge of Development*, Washington D.C., World Bank, 1997, Preface
[151] Interview with World Bank spokesperson on public sector reform, August 20th 2002

In the 1997 World Development Report entitled *The State in a Changing World* the Bank had come to accept even more directly that "development without an effective state is impossible."[152] The report admitted excessive anti-statism on part of the Bank in the past on the one hand and acknowledged the market failure approach of economic theory on the other. The Bank's philosophy thus moved beyond a state vs. market dichotomy. Instead, it brought the state back in as the market's "partner, catalyst and facilitator"[153]. The report thus forged a compromise between statism and laissez faire: state intervention is now considered desirable, even necessary to ensure a smooth functioning of the market. As a result, in place of rejecting state intervention per se, the World Bank is now increasingly concerned with defining the right courses of actions for states to take. The vision was one of replacing the traditional perception of an antagonistic relationship between state and market into one of partnership between state and market. The idea of partnership has become a dominant theme in World Bank discourse, both in context of the CDF and the role of the state. The goal is to fashion public-private partnerships between state, market and civil society. In this context, the 1997 report lists the following as the adequate priorities for state action: strengthening the "simple institutions...the most basic underpinnings of the market...ranging from land titling and the collateralisation of movable property to laws governing securities markets, the protection of intellectual property and competition law" and later on adds "the protection of life and property from criminal acts."[154] The most recent WDR entitled *Building Institutions for Markets* further pursues this same line of reasoning, examining how institutions support markets, what makes institutions work and how to build them, how they can be operationalized to ensure stable

---

[152] World Bank, *World Development Report 1997: The State in a Changing World*, Washington D.C., World Bank, 1997, p. 24
[153] ibid, p. 1, emphasis mine
[154] The World Bank, *World Development Report 1997: The State in a Changing World*", p. 45

growth, equal opportunity and empowerment for the poor. The report specifically considers land titling institutions, judicial institutions, corporate government institutions.[155]

The East Asian Miracle Report is more subtle in its acceptance of state intervention. The bulk of the report gives a strong endorsement of established World Bank ideas since concessions had to be made by the chief editors for it to gain the approval from the Board of Directors. It does however concede the fact of extensive government intervention in most of Asia and that these interventions "may have fostered growth and equity" and that selective interventions like forced savings, tax policies to promote specific investment, sharing risk, restricting capital outflow, repressing interest rates "appear to have succeeded."[156] The report is actually most explicit about a pro-intervention approach in the preface, which is written after the approval by the board, stating that "the report advances an understanding of the conditions for interventions to succeed" and that "the institutional context within which policies are implemented is as important to their success or failure as the policies themselves."[157] Like the 1990 WDR, the East Asian Miracle Report also listed the same policy recommendations for states to engage in: ensuring adequate investment in people, fostering competition, openness to trade, and a stable macro economy.[158]

Acknowledging the importance of a functioning state for the development process meant a reorientation of the Bank's efforts from project based lending towards policy-based lending which is clearly reflected in the Bank's budget during the late nineties. Adjustment lending more than tripled from below $5 billion in 1997 to $15.3 billion in 1999 and "institution building and governance" became the "dominant themes".[159]

---

[155] see The World Bank, *WDR 2002: Building Institutions for Markets*, Washington DC, World Bank, 2002
[156] The World Bank, East Asian Miracle, p. 23
[157] ibid, preface
[158] ibid, p. 10
[159] The World Bank, *The World Bank Annual Report 1999*, Washington D.C., World Bank, 2000

Explaining change in the World Bank

Having discussed the reform initiatives that have taken place in the World Bank over the past decade in the first half of this chapter, the second half will examine why the changes have occurred.

From the discussion of stasis in the Bank in chapter two, it has become clear that the Bank, while struggling to maintain and expand its capacity as an autonomous actor, is exposed to multiple forces in its environment that push and pull in different directions. Some of the factors discussed in the previous chapter as obstacles to change may, at different times or in different issue areas actually constitute a driving force behind reforms. The most important factors pushing for change in the World Bank discussed in the following section are

- Internally
  - Individual staff initiatives, especially of strong presidents
  - Findings of internal monitoring procedures and assessments of Bank procedures for example by the operations evaluation department (OED)
- Externally
  - Changes in the global political economy
  - Changes in academia
  - Changes in member state interests or in the distribution of power among member states
  - Criticism from the general public: NGOs, media etc.

It should be noted that different actors in the global civil society are ingenious in applying pressure at different points of the Bank's procedures. As a result, it is difficult to slot their activities into a certain category. Generally, NGO campaigns have had an impact when pressuring powerful member states to promote a certain issue in the Bank[160], when cooperating with sympathetic Bank staff,[161] or when issuing well founded criticisms backed up by extensive information and valuable research on Bank operations that is

[160] An example of this is the case of prominent environmental NGOs in the US that successfully pushed congress to appoint the US Executive Director in the Bank to demand better environmental standards and closer monitoring of the compliance in Bank operations
[161] For example, NGO-staff links played an important role in putting gender issues on the Bank's agenda.

picked up by the Bank. The Bank responds to the criticism by directing its own research and evaluation efforts along these lines or by improving its operations but it does not pay attention to the far more radical claims typically made by the NGOs.

Before discussing the above listed factors, it is important to notice these factors are not to be understood as atomized forces applying to the World Bank individually. Rather, they are interdependent and mutually influence and change each other. This is especially the case when analyzing the impact of changes in the economy and in academia. These changes typically do not influence World Bank policies directly but have a more indirect effect. They enter into Bank discussions through the staff that picked up on new ideas or through the Bank's information gathering bureaucracy that detects and processes these changes in its evaluations and reports.

It is also important to keep in mind that the changes discussed in the first part cannot be explained monocausally. While it may be possible to indicate the dominant force triggering a certain development, the resulting dynamic in the Bank or change in actual policies is influenced by the interplay of all the factors listed above.

Staff initiatives - Wolfensohn's reform of World Bank procedures

In the Bank's history, the president's capacity to foster change in the institution has arisen from the personal strength of individual presidents (or the weakness of the US administrations of the day) rather than the power he (there have not been any female presidents so far) obtained through his position. The relationship between the presidency and the US government has often been an uneasy one and presidents have struggled to increase the political independence of the institution. The Bank's first president, Eugene Meyer, resigned out of frustration over his own powerlessness vis-à-vis the US Executive Director and the US government. His successor, John McCloy, succeeded in increasing his power as president as a precondition of taking the job. Woods concludes that

"Subsequent presidents such as MacNamara [and now Wolfensohn] demonstrate that a strong president can play an important role in enhancing the independence of the organization."[162] The US stranglehold over the Bank's presidency (as described in the previous chapter) means that one has to be cautious about identifying the president as a factor conducive to change in the Bank in general, but specific examples of presidents that successfully pushed for change exist. During his terms as president, Wolfensohn took the initiative to introduce the plans of reorganization under the Strategic Compact. He is generally considered the driving force behind the reformulations described above that have been taking place in the Bank over the past decade. Wolfensohn secured the agreement from his Board for the reform initiative. And also the Global Development Gateway and the Knowledge Bank idea in general can be largely attributed to Wolfensohn's initiatives.[163] Gilbert and Vines remark that

> Wolfensohn does appear to have radically shifted both Bank rhetoric and action towards the neglected half of the Washington consensus: poverty reduction now has at least equal status in Bank financing decisions with the promotion of growth; serious consideration is given to environmental concerns, ownership has been embraced; and a serious dialogue with the NGOs has begun.[164]

Wolfensohn's proposals in his 'Strategic Compact' indicate that he recognizes many of the problems of organizational behaviour discussed in the previous chapter. On the other hand, he is also apprehensive of the crisis of development efforts and the resulting criticism launched against the Bank, which means that Wolfensohn's design of the reform initiatives is to a certain extent influenced by input from non-governmental actors. He is concerned with reorganizing the World Bank's internal procedures and also with enhancing its reputation and has launched initiatives that aim at improving the Bank's

[162] Ngaire Woods, "The Challenges of Multilateralism and Governance", pp. 132-159, chap in Gilbert, and Vines, (eds.), *The World Bank: Structures and Policies*, 2000, p. 134-35

[163] While opinions on the impact and success of the initiatives varied among the World Bank staff I interviewed according to their position within the Bank, all of them stressed the importance of Wolfensohn as the champion of the reforms. (Interviews conducted between August 15th and August 26th 2002)

[164] Cristopher L.Gilbert and David Vines, "The World Bank: An overview of some major issues", pp. 10-39, chap in Cristopher L.Gilbert and David Vines (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000, p. 17

operations internally and its image internationally. As John Pender put it, his job has become one of "overseeing the redefinition of the Bank's mission and renewing its sense of purpose"[165] in light of the recent crisis in development practice.

Attempts at reorganizing the World Bank have been undertaken by previous presidents at the beginning of their terms. Typically not hired from within the Bank, they often bring an outsider's view of weaknesses and possibilities for improvements. However, these restructuring efforts by incoming presidents have generally not been well-received by the Bank's staff. The firmly entrenched organizational culture might be the source of explanation for the staff's adversity toward reforms. Gwin writes with reference to president Conable's restructuring in the late 1980s that the Bank staff "considered the reorganization disruptive."[166]

Wolfensohn's reforms are no exception in a history of encountering difficulties from within the Bank when attempting to reorganize it. As one observer put it: "Any time you introduce a new paradigm such as the whole concept of the Knowledge Bank there are going to be people who do not (a) either understand it or (b) are going to resist change in any form."[167] Another stated that "I would not say that the Strategic Compact was a waste of money but I do not think most staff have read it."[168] Stephen Fidler states with reference to Wolfensohn's restructuring that "on the evidence of internal Bank communication, staff morale has collapsed and many of the institution's most capable managers have left because they could not tolerate Wolfensohn's management style."[169]

---

[165] Pender, "From Structural Adjustment to 'Comprehensive Development Framework: Conditionality transformed?", 2001, p. 402
[166] Catherine Gwin, "US Relations with the World Bank, 1945-1992", pp. 195-274, chap in. Kapur, Lewis and Webb, (eds.), *The World Bank: Its First Half Century*, 1997, p.264
[167] Interview with a World Bank employee, August 26th 2002
[168] Interview with World Bank staff member, August 16th 2002
[169] Stephen Fidler, "Who's minding the Bank?", *Foreign Policy*, p. 40-50, vol. 126, Sept/Oct. 2001, p. 41

Internal monitoring processes

Reform initiatives were also advanced from within the Bank in response to a series of internal review processes about the ineffectiveness of aid and the poor performance of World Bank projects in terms of developmental achievements. Some observers have suggested that an unusual degree of self-critical reflection is noticeable in the rhetoric of Bank publications from the past decade and that this has played an important role in triggering the efforts of reorganization. For example Pender claims that "In contrast to the conclusions drawn in the past... the current view is to readily accept that in important instances the prescribed policies were adopted but failed"[170] and that consequently "there is a clearly stated rejection of [the Bank's] approach and a repeated commitment for the need of thorough going change."[171]

A recognition of past failures as a result of critical voices from its own evaluation department is indeed reflected in some of the Bank's internal evaluations and publications. The 1992 Wapenhaus Report, an internal review of the World Bank's 140$ billion loan portfolio found that the emphasis on loan approval rather than performance had lead to poor project performance and a high rate of project failures. The seminal 1997 study *Assessing Aid: What Works, What doesn't and Why* acknowledged outright that aid by itself has been ineffective in promoting growth or achieving particular lending objectives.[172] Even where lending objectives like policy reforms were realized, these failed to bring about the desired development goals. The WDR 1999/00 entitled *Entering the 21st Century* admits: "Some countries followed policies of liberalisation and privatization but failed to grow as expected."[173]

---

[170] Pender, "From Structural Adjustment to 'Comprehensive Development Framework': Conditionality transformed?", 2001, p. 405
[171] ibid, p. 406
[172] World Bank, *Assessing Aid: What Works, What doesn't and Why*, Washington D.C., World Bank, 1998
[173] World Bank, *World Bank Development Report 1999/2000 – Entering the 21st Century*, World Bank 2000, p. 16

According to Gilbert, Powell and Vines, the Bank learned its lessons: first that it should step back from attempting to coerce developing countries into adopting good policies and second that project based lending and conditionalities do not work unless certain institutional preconditions (like institutional capacity and quality of governance) are fulfilled.[174] This changed attitude led to the move away from a radical free market ideology to a more balanced view on the costs and benefits of state intervention as is reflected in the Comprehensive Development Framework. The shift in favour of policy-based lending rather than project based lending can also be explained by the frustration of staff in attempting to identify good projects in countries that have bad policy environments. In these cases, policy based lending to induce reforms seemed a more promising alternative.

Changes in the global political economy

The Bank's dependence on the global economy has already been discussed at length in the previous chapter. Changes in practices or attitudes of dominant actors in the global economy generally exert pressure that forces the Bank to adjust. The effect of the global economy on the Bank is most obvious in times of crisis - the Bank provided $8 billion in short term liquidity financing to Thailand, Indonesia and Korea during the emerging market financial crisis of 1997/98. the 1990s. The Global political economy has been fraught with instability over the past two decades –the legacy of the collapse of the Bretton Woods system, the oil shocks, increasing competitiveness, trade wars, debt crises, the spectacular rise and fall of the Asian Tigers, the collapse of the Mexican peso, as well as the transition process of the post-communist countries, all played a role in increasing the

[174] Christopher L Gilbert, Andrew Powell, David Vines, "*Positioning the Bank*", p. 39-87, chap in Gilbert, Cristopher L. and Vines, David, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000, p.76

Bank's perceptiveness toward reform initiatives. A general sense of upheaval, change and crisis continues to characterize our perception of the global economic system.

The shift toward policy based lending in the Bank occurred partly because of these changes in both the international political system and economy during the post-Cold War era. Politically, after the collapse of the Soviet Union, the non-intervention rule has become less rigid. Consequently, it is now more acceptable for the World Bank to engage in policy based lending despite its Articles of Agreement that explicitly forbid the Bank to become politically involved in a country. Economically, the changed financial environment in the 1990s played a major role in the Bank's transformation into a Knowledge Bank since an increase in donor organisations and bilateral aid as well as renewed private investment flows reduced the Bank's comparative indispensability as a lending institution.

The 1990s saw a rebirth of investor confidence in the context of the liberalised international capital markets which led to a rapid growth of private capital flows into many developing countries. In 1985, official flows in the form of development aid just offset the value of negative private transfers, but by 1995, private flows of $112.3 billion amounted to over 80% of total capital flows.[175] The historic justification for the Bank's lending activities in terms of market imperfections thus no longer holds. On the contrary, private sector sources came to dominate capital flows to developing countries, especially to middle income countries. Many of these countries prefer to borrow from the private sector in order to escape the surveillance and interference which borrowing from the Bank entailed.[176] In the light of this radical change, it appeared that there was no longer a major role for public sector development lending as such. Rather, developing countries needed advice on how to deal with large and highly volatile capital inflows. This gave strong

[175] Christopher L Gilbert, Andrew Powell, David Vines, "*Positioning the Bank*", p. 39-87, chap in Gilbert, Cristopher L. and Vines, David, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000, p.47
[176] ibid

impetus for the idea of the Knowledge Bank, which would engage in educating countries how to face issues of crisis avoidance and crisis management, how to lessen and deal with the volatility of private capital flows, instead of permanently supplementing such flows with official lending. The change in the Bank's rationale to overcome informational failures rather than capital failures has to be understood at least partly as demand driven in the context of a changing global economy: "A lot of countries do not actually get loans, they do not want loans, but they want knowledge services, they want policy advice."[177] This new role was readily accepted by the international community because of the Bank's credibility as a knowledgeable expert when selecting countries and projects.

Changes in Academia

The cause-and effect relationship between changes in the global economy and changes in economic and social theories is difficult to establish. The relationship between the academic development discourse and the development agencies' discourse is also complex. Interactions and mutual influences between economic trends, political decision-makers, intellectuals and development workers are constant. Academics and practitioners share many of their ideas and attitudes and the flow of personelle from prestigious academic institutions to the World Bank and vice versa is very common.[178] These dynamics translate into a certain exchange of ideas between academics and practitioners so that changes in development theorizing from certain academic institutions can have an effect on attitudes of World Bank staff.

For example, the Bank's new concern with institutions and the role of the state has striking parallels with the rise of neo-institutionalism in political theory during the past

[177] Interview with World Bank Knowledge Management Official, August 21st 2002
[178] for example, Ravi Kanbur, Joseph Stiglitz and Robert Wade formerly held senior positions in the World Bank and now teach at prestigious universities in Britain and the US. The Bank's selective hiring procedures have been discussed in the previous chapter

decade and the reforms initiated in the Strategic Compact reflect many of the new insights of organizational theory. Fine analyzes how recent endeavours in economics like new institutional economics, new growth theory, new trade theory and new political economy extended economic theory into all areas of life. Factors previously perceived as outside economics and taken as exogenously given by economists are now integrated. This trend of shifting the analytical boundaries of the scope of economic analysis, according to Fine, enabled neo-classical economics to offer an explanation of social structures and instituions.[179] Incorporating microfoundations into macroeconomic analysis also broadened the conception of what constitutes market imperfections, now including coordination failures and informational imperfections. The holistic aspirations of the CDF reflect a very similar trend. While the Bank had previously considered the realm of the social and the political as distinct and separate from economics in a classical economic theory fashion, the CDF "seeks a better balance in policymaking by highlighting the interdependence of all elements of development - social, structural, human, governance, environmental, economic, and financial."[180]

The interests of particular member states

The influence of dominant member states on the decision making process of the World Bank has already been discussed as an obstacle to change in the second chapter with reference to the United States and Japan. Powerful member states can also be champions of change. As mentioned above, changes advocated by the US included a stronger emphasis on the private sector and better environmental standards for lending procedures and Japanese pressures lead to an acknowledgement that government intervention can be an important component of development strategies. I have described

---

[179] Fine, "The Developmental State is Dead, Long Live Social Capital?", 1999, p. 2-7
[180] The World Bank: http://www.worldbank.org/cdf/ (accessed 12th of March 2002)

these developments under obstacles to change because they did not represent emancipatory change but rather were further examples of industrialized countries' hegemony within the World Bank. Splits in this elite like the conflicting opinions between the US and Japan may occur, they have not produced a more favourable distribution of power for borrowing countries within the World Bank. These are small adjustment changes that leave the general framework unquestioned and intact which is why they were included in the second chapter.

Overall, the Bank would be a better development agency if it were more autonomous from the influence of any specific national interest, and especially if the US had less control over it and people from other member states with knowledge of other (social democratic, developmental state) forms of capitalism created more pluralistic and diverse approaches. So far, US hegemony in the World Bank on economic policy issues remains unchallenged and the question is whether Europe or Japan will exercise more leadership and push the Bank's policies in a more social democratic direction or whether the representatives of developing countries on the board of the Bank will concert their actions for a change.

In sum, this chapter has shown that some changes in the Bank's internal operations and in the Bank's rhetoric have taken place over the past decade. The initiatives to push for these reforms of the World Bank were taken by different actors – Bank staff, member states, NGOs. Apart from categorizing these into internal or external factors, the above discussion makes clear how these factors are also operating at different levels: individual, institutional, national, international and how these levels interact. On an individual level, Wolfensohn and other Bank staff have taken personal initiatives. The appointment of Wolfensohn as a charismatic new president coincided with the Bank's search for a new identity and a new justification of its raison d'etre following the criticism in response to the debt crises of the eighties and to the reversal of private money flows into borrowing countries during the nineties. Individual initiatives are informed by changing economic and social theories and furthermore influenced by perceived changes in the global economy. On an institutional level, bureaucrats detected, processed and evaluated input about these changes in the economy and development theories and practice. Depending on the outcomes of their analysis and the organizational flexibility, this either furthered or impeded change in the Bank. On the state level, the US and Japan have been used as two examples how individual states influence World Bank decision making processes and on an international level, both political and economic changes force the Bank to make adjustments.

The goal of this chapter was to describe the major reforms initiated by the Bank and to identify the most important explanations of why these changes have occurred. I have presented the Bank's intentions and visions in its own language without questioning whether the reforms introduced and the resources spent will be able to produce thoroughgoing, and, more importantly, emancipatory changes. This will be done in the next chapter. I will evaluate these changes in terms of their likely impact on the borrowing countries and the prospects of their improving the Bank's performance as a development agency. I will arrive at the conclusion that the Bank's internal reorganization and reformulation of its identity has not changed its general neoliberal and economistic outlook on the economy.

Chapter 4

Change or Continuity? -

Evaluating the reform initiatives

In the previous chapter, I have presented an overview of the major changes that the World Bank has undergone in the 1990s and their causes. Judging from the Bank's portrayal of these reforms, one might be led to believe that a lot of the aspects characteristic of the Bank's approach to development found to be problematic in chapters one and two – its technocratic and narrow focus on economics, its apolitical conceptualization of development, its elitism and its universalism, - have been or will be redressed and that the obstacles to change have been overcome. The internal restructuring under the **Strategic Compact** is designed to ensure a greater responsiveness to the needs of the borrowing countries and will enhance the institution's capacity to learn and adapt to a changing environment. Promoting the idea of a **Knowledge Bank** means a shift away from material factors and acknowledges the importance of the ideational realm in development. Moreover, as a Knowledge Bank, the World Bank would focus less on lending and more on its advisory function, thus avoiding the inherent contradictions of development banking. The **CDF** also pushes the Bank beyond its narrowly economistic focus and promises to incorporate social factors and civil society actors into the development process. And finally, bringing the **state** back into the development process through the emphasis on good governance acknowledges the political dimension of the development process.

A more careful analysis of the reforms and their consequences – to the extent that an evaluation is possible already - leaves little scope for this optimism. This chapter will engage critically with the reforms that have been initiated. I will show that they represent a change in strategy while the neo-liberal equation of development and economic growth through integration into the world economy and privatization has remained unchallenged.

Instead of refocusing the Bank's approach to development toward emancipation and empowerment of the poor, the combined effort of increasing efficiency through internal restructuring, including civil society actors through the CDF, legitimizing its advisory function as a Knowledge Bank and forging a new partnership between states and donor agencies are likely to reproduce existing power-relations and entrench neo-liberal ideology even further as the only game in town.

In this chapter, I will discuss these problems that continue despite the changes that have taken place and illustrate how the reforms often failed in their implementation or failed to bring about the desired change, instead reinforcing the status quo. First, while some changes have taken place, the extent to which the Bank is transformed should not be overestimated. Internal Bank evaluations of the Strategic Compact and the CDF show that reforms have been difficult to realize and that the obstacles to change are difficult to overcome. Second, the incorporation of participatory, social development and good governance rhetoric left the growth agenda intact. The Bank's treatment of these issues was limited to analyzing to what extent the social development agenda and participation can be conducive to growth. The result was a return to economistic concepts and definitions like social and human capital, "ownership" and "partnership", which domesticated the radical claims and re-established the neo-liberal agenda. Third, an uncritical and absolutist understanding of "knowledge" reproduces elitist, technocratic and apolitical development thinking. Fourth, a politicised monitoring of the Bank's research and resulting "knowledge" output by the US Treasury and senior management within the Bank also reinforces the neo-liberal outlook. Fifth, the CDF has encouraged the Bank to address an expanding range of issues. While this may be interpreted as a shift away from focusing solely on economic factors, the result has been a Bank overload and a lack of focus and an unwillingness of the World Bank to cede responsibilities to other players even if they have greater comparative advantage in dealing with these issues.

Difficulties, or lacking will to implement reforms and change the Bank's agenda

Two recent World Bank reports have examined progress on the reform plans of the Strategic Compact. These are the Strategic Compact Assessment [CA], carried out by an internal Bank team, dated 15 March 2001 and the Annual Review of Development Effectiveness [ARDE], carried out by the Bank's Operations Evaluation Department, dated 9 January 2001. The reviews conclude that the fundamental objectives of Wolfensohn's reform program were right, but that some have not been achieved and some of the key dilemmas have been left unaddressed. In sum the Assessment found "It is clear that, while progress has been made, there is still much to do to turn the Bank into the highly aligned, efficient and performance-based institution that the Compact envisioned." and that "efficiency gains have been difficult to realize, and concerns remain about underinvestment in some core activities, the complexity of some business procedures, and the level of staff morale and overload."[181]

In addition to the doubt whether Wolfensohn's reform have succeeded in improving the functioning of the World Bank in the desired way, scepticism arises whether the internal restructuring of the Bank was ever intended to genuinely change the Bank's overall approach to development. While the reforms, if implemented properly, could overcome some of the generic problems that large bureaucracies face in terms of their organizational inertia, this will not lead to improved development policies if the Bank's core neo-liberal values and culture remain intact. Rather, current practices would work more efficiently since the reforms would most likely make the Bank's procedures operate more smoothly. Among the people I interviewed, only the staff very high up in management thought that Wolfensohn does not "receive enough credit for his ideas" and that the new management structure put in place will now ensure that the ideas will be put into practice.

[181] World Bank, *Strategic Compact Assessment*, 2001, p. 8 and p. i

Staff at lower levels either dismissed the reform initiatives as "interesting ideas at the margins [with] extremely little, if any, impact on operations of the Bank, [leaving] the Bank's core business unaltered" or they stressed the increase of Bank efficiency internally, the reforms were perceived to be "more about changing things internally so that we ourselves can do our jobs better." It was thought that

> What has changed a lot is pure technology and how it is used in the Bank itself - that's not really what the Knowledge Bank is all about. The tremendous growth in communications options, e-mail, distance learning, video links with ten countries – that is phenomenal technology that we now use to do our business but in terms of working with countries on knowledge it is not a fundamental thing.

Another World Bank official observed:

> I think that new things get more attention. The Strategic Compact, the CDF, the Knowledge Bank idea, the Gateway, those are ideas that get press and coverage. Senior management – I mean, the president's office may not agree but sitting where I sit in operations I would not consider those quite as important... The president has interesting ideas and wants to get them going like the Gateway and that is his right as a president to try and do things, some of them work, some of them do not.[182]

Overall, internal reforms will have no substantial effect on the Bank's approach to development unless they include a conscious move to transform the Bank's belief-system which is too heavily concentrated on economic development. The above listed measures of the Strategic Compact do not reflect intentions of such a move. The shuffling of staff and the contacts developed outside the organization are constrained to a limited range of institutions. These seem to be those public and private institutions and individuals which share the Bank's neo-liberal outlook like the "high level managers from outside the organization" or the Harvard and the London Business Schools and "managers from private sector firms." This sustained focus on economics is reflected in the Lending statistics and in the statistics from Client Surveys. Appendix B shows that two new lending categories have been created in 2000: economic policy and private sector development. While they are quantitatively of negligible importance, amounting to less than 1% of the

---

[182] Interviews with various World Bank employees August 15th-25th 2002

lending total, they nevertheless demonstrate the Bank's continued concern for economic growth. Moreover, levels of Bank lending for education, the environment and health have remained relatively stable since 1996 (averaging at a *lower* level than in the first half of the 90s). Social sector lending has only increased marginally following the record low of 0.5% of Bank lending in 1996.

Client Surveys also indicate far better performance and effectiveness of Bank activities in economic policy areas than in any other area. More than 80% of government officials found the Bank "effective" in helping attract investment and helping strengthen and maintain sound macroeconomic and trade policies, compared to a mere 14% that thought the Bank was helpful in strengthening civic participation in national development efforts, or 33% for helping to reduce poverty. - The CA concludes: "while the Bank is relatively effective in assisting countries in strengthening their policies and structures for economic growth, the Bank is not perceived as being strong in its main mission of poverty reduction."[183]

Wolfensohn's restructuring efforts thus did not address satisfactorily the problem of a narrow outlook. The broader scope of internal training programs may include some that focus more on human, social and cultural aspects of development, but no special provisions have been made to reinforce, for example, the gradual build-up of a small number of sociologists and anthropologists on the Bank's staff. The number of non-economic social scientists is still dwarfed by the much larger number of economists, yet as Miller Adams observes:

> If the norms of a given profession [...] lead to institutional stability, the reverse may hold true as well: the introduction of professionals with a different set of norms into an organization and a conscious change in patterns of selection, socialization, and incumbency may bring about institutional change.[184]

---

[183] ibid, p. 10
[184] Miller-Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 30

She finds that even the small number of sociologists and anthropologists (in low positions) has had an impact on Bank policy in some areas like involuntary resettlement or initiating the Task Group for social development. She optimistically[185] postulates that "the very presence of non-economists creates a dynamic in the direction of greater attention to social issues and increasing demand for more social specialists."[186]

More relevant for borrowing countries and for the autonomy of the Bank from external pressures by member states may have been Wolfensohn's emphasis on the decentralization of the Bank. The proximity to US government institutions in Washington compromises the Bank's independence and decentralization might move the Bank away from the close scrutiny and constant interference by the US government. Decentralization efforts proceed slowly, but in 1998, the year following the unanimous acceptance of Wolfensohn's Strategic Compact, three Country Directors have been relocated, rising the number of Country Directors in regions to 22. The intention to strengthen the Bank's knowledge base and to further more systemic interaction with local stakeholders does reflect a genuine change in World Bank practice in its appreciation for local knowledge and experiences. Critics have challenged the Bank on the grounds that such initiatives have dubious advantages for the borrowing countries that ultimately foot the bill through higher interest rates they must pay on loans to cover the Bank's soaring operational costs.[187] The Bank's high operational costs are a problem but I think in the case of the additional costs for a more decentralized Bank the costs may pay off in terms of the Bank being able to provide better services. However, the Bank seems concerned that increased decentralization will undermine its ability to speak with one coherent voice and to coordinate its statements so as to avoid sending out contradictory messages. The CA

[185] I do not necessarily share Miller-Adam's optimism. Non-economic social scientists may adhere equally dogmatically to an economistic and neo-liberal approach to development. I agree however, that the likelihood of increasing the Bank's narrow perspective may broaden so that different factors are taken into account.
[186] ibid, p. 31
[187] see for example Fidler, "Who's minding the Bank?", 2001, p. 42

expresses concerns about "the lack of an effective alignment between corporate priorities and regional programs and implementation."[188]

Participation

Even before the launch of the CDF in 1999, the Bank had supposedly begun to incorporate a wider range of perspectives in its approach to development and has started to include grass roots organizations in the formulation and implementation of development projects during the 1990s. The Bank has also increased its interaction with NGOs based in industrialized countries, coming to consider many of them valuable repositories of technical expertise and appropriate partners for activities. By 1994 almost half of Bank projects approved each year included some participatory component. At the end of 1997, 38% of all active World Bank projects involved NGOs in some way. Perhaps more important, the nature of NGO involvement also changed and NGOs have become increasingly involved in project design.

The value of participatory approaches has been accepted at the Bank's most senior levels and participatory processes are an important feature of the CDF, which features the following participant groups in the development process: First, government at the provincial and state, city and municipal level; second, multilateral and bilateral participants like the IMF, UN agencies and programmes, the WTO, the European Union, regional development banks, bilateral agencies, international organizations etc.; third, civil society participants, for example religions and religious organizations, foundations, trade unions and employee organizations, employer organizations, NGOs (both international and local), organizations of indigenous people; fourth, the private sector.[189] In practice, the "comprehensiveness across actors" has played out to the advantage of the multilateral

[188] World Bank, *Strategic Compact Assessment*, 2001, p. 8 and p. 32
[189] James D. Wolfensohn, *A Proposal for a Comprehensive Development Framework*, Discussion Draft, 21 January 1999, p. 11-13, at http://www.worldbank.org/cdf/dcf-text.htm

and bilateral participants rather than in favour of civil society actors. One staff member states that

> A lot of the partnership discussion is simply about being better partners with other donor agencies: working with the UN and the IMF; it's been a real emphasis working with other donors, bilateral donors and OECDs and that has been one of the major changes, that we have gotten a lot better at working with our partners in the donor community[190]

There is a tendency to perceive actions by intergovernmental actors like the World Bank as more legitimate if there are NGOs involved at some stage of the process. Generalizations like these do not sufficiently take into account the diverse nature and varied operational dimensions of NGOs. NGO participation does not follow any consistent pattern and participation in and of itself is neither inherently good or bad. Their activities range across the entire spectrum of conflict and cooperation with governmental actors. In their more critical or adversarial role, they can function as kick starters that stimulate corresponding or complementary government activities and influence the agenda for government action, forcing the pace of negations or monitoring World Bank actions. This exerts pressure for increased accountability. In their cooperative roles, NGOs become agents or joint managers, assuming a subcontractive, facilitative role, supporting the work of the Bank or sharing their expertise and know-how.[191] Statistics like those quoted above about Bank-NGO collaboration do not reflect this diversity and give no indication of the kind of NGO participation taking place. It is often argued that the Bank has greatly enhanced its capabilities and reasserted its position as a dominant actor through its collaboration with carefully selected NGOs. For example Rosenau states that "non state actors are playing roles, meeting expectations, filling gaps that government actors cannot fill on their own. So, ... non-state actors are helping them to do their jobs better in an

---

[190] Interview with World Bank expert on the CDF, August 18th 2002

[191] for a detailed discussion of the diversity of NGO activities and NGO-IGO relationships see Andrew F. Cooper and Brian Hocking, Governments, NGOs and the Recalibration of Diplomacy, *Global Society*, pp. 361-376, 14(3), 2000

increasingly complex and fragmented environment."[192] According to this view, rather than the Bank making concessions to civil society actors, Bank-NGO collaboration should be understood as satisfying certain needs of the Bank, especially to collecting data in the field that can often be done more accurately by grass root organization. Raustiala uses the example of the Global Environmental Facility, the organ of the Bank concerned with environmental projects, to show how the criteria for accreditation of NGOs is set to make use of their expertise and meet the institution's needs of maximizing policy information and research. The GEF, he concludes, "does not merely include interested or large groups" but seeks to "systematically link forms of NGO participation to the specialized resources NGOs possess."[193]

A genuine concern for participation would create a paradox for the Bank: the Bank has very clear preconceived notions as to what the problems of borrowing countries are. It also has very determinate guidelines about the policies that states should adopt and reforms that should be implemented. This forfeits genuine participation which would adopt a more heuristic approach which explores and defines the problems and possible solutions in tandem with the poor and marginalized. Apart from the fact that current Bank staff lacks the experience and training to carry out this kind of field work, this would only work if the ideas that surfaced in these consultations conformed with the Bank's predetermined standards of acceptable courses of action. Responsiveness to local initiatives is only possible if it does not threaten the Bank's conceptualization of development. As a result, even when participatory processes are used, substantive problems with *how* they are practiced remain. To avoid this problem, the Bank's participation agenda is pragmatic. It casts participation in narrow terms; as a means to

[192] James N. Rosenau, *Along the Domestic-Foreign Frontier – Exploring Governance in a Turbulent World*, Cambridge University Press, 1997, p. 336
[193] Karl Raustiala, "States, NGOs and International Environmental Institutions", *International Studies Quarterly*, Vol. 41(4), December 1997, p. 721

greater success and legitimacy for the Bank rather than an end in itself. The Bank states that it embraced participatory initiatives to "improve the quality, effectiveness and sustainability of projects and strengthen ownership and commitment of governments and stakeholders."[194] Instead of seeing participation just as a means to more successful projects (and thus a better return on the Bank's investments), another rationale for participatory approaches would emphasize democracy and human rights and aim to bring about a stronger civil society and serve as a check on governments. However, if the Bank wanted to embrace this wider agenda in the future (it does not currently seem to), it would encounter difficulties. The Bank faces resistance from many of its borrowing country members against including democracy and human rights on its agenda and the Bank would act in violation of its charter provisions.

In terms of implementation, commitment to participatory processes has not permeated the Bank's operations and it often depends on the motivation and initiative of individual staff. Miller-Adams observes that support for participatory approaches came predominantly from staff whose involvement with NGOs and beneficiaries predated the institutional innovation and some brought to the Bank an understanding of participation gained at other institutions. She observes that "collaboration with NGOs depended on personal contacts between staff members and friends or colleagues in the NGO community... Informal networks were forged among advocates of participation within the Bank."[195] The problem is that these ad hoc initiatives are not sufficiently institutionalized to enforce a sustained participatory agenda in the Bank. Participation has become a prominent feature in the work of some departments and in the rhetoric of the Bank overall, but it is not integrated into the mainstream practice. Despite the inclusion of a section on collaboration with NGOs in the Bank's Operational Manual, the use of participatory

[194] World Bank, *The World Bank and Participation*, Operations Policy Department, 1994, p. i
[195] Miller Adams, *The World Bank: New Agendas in a Changing World*, 1999, p. 75

approaches is not mandated. The section falls under the category of "Good Practices"[196] (GP14.70; 02/00) as opposed to a binding "Operational Policy" or "Bank Procedure."[197] Miller Adams concludes "while there is greater support for people who care about participation, there is no pressure on those who do not."[198]

In sum, the lack of institutionalization of participatory approaches means that no groups, organizations or stakeholders have a *right* to express their views or concerns or give their input for the project design or implementation. Rather, participation is a *privilege* that the Bank grants to those actors it deems to portray appropriate views and engage in suitable activities that are complementary to Bank operations. The power to decide which actors will be included at which stage and on which terms rests solely with the Bank.

Finally, while the CDF signals a new openness to include groups that are already organized into the development process, it does not take any initiative to actively strengthen civil society institutions by increasing the people's capacity to organize. The Bank seems to assume that all the segments of society that might be effected by Bank policies are already organized in a way suitable for Bank collaboration and can be readily included in the CDF. The CDF thus fails to deal with the core problem: the fact that the most marginalized segments of society lack the resources and capacity to even get organized and raise their voice. The readiness to include NGOs in the CDF is based on the concern to include those groups that are powerful enough to potentially endanger the

---

[196] n.b. The Good Practice on NGO collaboration is the *only* one in the Bank's manual so far. The official Bank definition of Good Practices states that "Good Practices" (GPs) contain advice and guidance on policy implementation , for example, the history of the issue, the sectoral context, analytical framework, best practice examples." Whereas Operational Procedures (Ops) "are short, focused statements that follow from the Bank's Articles of Agreement, the general conditions, and policies approved by the Board. OPs establish the parameters for the conduct of operations; they also describe the circumstances under which exceptions to policy are admissible and spell out who authorizes exceptions." and "Bank Procedures (BPs) explain how Bank staff carry out the policies set out in the OPs. They spell out the procedures and documentation required to ensure Bankwide consistency and quality." (World Bank Operational Manual at http://wbln0018.worldbank.org/institutional/manuals/opmanual.nsf/TextDefinition1?OpenNavigator

[197] World Bank Operational Manual, OP14.70 *Involving Nongovernmental Organizations in Bank-Supported Activities* http://wbln0018.worldbank.org/Institutional/Manuals/OpManual.nsf/whatnewvirt/

[198] ibid., p. 137

success of the project and their inclusion stems from the Bank's desire to overcome obstacles rather than the acceptance of participation as an end in itself. Overall, this form of participation is likely to reinforce existing unequal power structures in society since those groups that have the resources to be already well organized are more likely to get a say. For an emancipatory participatory approach that aspires to redress these power imbalances in society, one would have to step back even further and assist the formation of interest groups in the first place that can then be incorporated in the development process. However, the CDF does not recognize this need of capacity building to organize interests in society but instead suggests that "civil society" can be readily incorporated, as if this was a readily defined and homogenous group with a single voice and interests that are clearly identifiable rather than an amorphous ensemble of diverging and conflicting interests:

> Depending on local political circumstances, civil society has a greater or lesser voice, but our experience is that by engaging civil society in projects and programs, better results are achieved with design and implementation and usually greater effectiveness, including more local ownership.[199]

Social Development

All the changes presented in the previous chapter professed to refocus the Bank to taking non-economic factors into account and some observers argue that non-economic factors have become a genuine concern in the Bank. The development reports in the nineties dealt with issues like the environment, health, workers, the state, knowledge and poverty and Wolfensohn initially built a reputation to support a "civil society approach" to development.[200] However, there is a lack of genuine commitment to social development issues in terms of resources[201] and a closer look at the issue reveals the

[199] James D. Wolfensohn, *A Proposal for a Comprehensive Development Framework*, p. 13
[200] I draw on Robert Wade, who couches the opposing camps in the Bank and the development community at large in terms of civil society approach vs. Finance agenda.
[201] see Appendix B

growth agenda underneath the Bank's social development agenda.

One striking feature in Bank rhetoric is the equation of economic growth with poverty alleviation. The two are typically used in tandem or treated as susbstitutable, ignoring the fact that growth has often caused income inequalities and poverty, and also the fact that poverty can be reduced even in the absence of growth. Moreover, all the Development Reports of the 1990s explicitly state that they are concerned with answering the question of what impact social issues concerning health, labour standards, the environment, knowledge, poverty etc. have on economic development or the functioning of markets.[202] The only exception is the 1999/00 Report which proposes the CDF as a means to move beyond economic growth and encompass social goals.

The Bank publications and statements on the CDF stress that the "CDF emphasizes the interdependence of all elements of development – social, structural, human, governance, environmental, economic and financial." – "Social elements" being prominently placed at the beginning of the list, presumably reflecting the Bank's awareness that this will be searched for by the Bank's critics. However, in the Discussion Paper to the Board, management and staff, this "holistic" list and order of issues had changed. The subheadings read "(A) Structural," "(B) Human," "(C) Physical" [Aspects of development] and "(D) Specific Strategies – Rural, Urban and Private Sector". Social aspects were not included as a separate section and are mentioned only twice in the detailed elaboration of the other sections: As the last point under the "Structural Aspects" section, entitled "A Social Safety Net and Social Programs," and under the "Human aspects" Section, where Education and Health issues are discussed. Overall, social aspects are clearly presented as secondary to economic development – something that a country might be able to afford once it has reached a certain level of economic prosperity.

[202] see Appendix A, Overview of issues covered by WDRs 1989-2002

The first sentence of the paragraph on social safety nets states that "Clearly, a country's history and culture as well as its state of economic development, will dictate the extent and nature of social programs a government can or wishes to provide."[203] This stands in direct contradiction to the Bank's Development Report 2000 on attacking poverty which said that social safety nets should be provided simultaneously with market reforms, because without effective safety nets, market reforms will create losers who have nothing to fall back on.[204]

Later on in the CDF discussion paper it is argued that sound macroeconomic management is the most effective safety net since

> recessions and depressions have adverse effects on virtually every one of the elements of the development strategy: health deteriorates, schooling is interrupted, and poverty increases. Formal safety nets are but an imperfect stop-gap measure in addressing the failures of effective macro policies[205]

These two statements firmly place economic management over social policy and what is more, they even blame social problems on macroeconomic mismanagement, ignoring the fact that economies have been prone to crisis even when closely following the Bank's policy advice.[206]

The sections on education and health reveal a similar economistic bias: both education and good health are not considered as values in and of themselves but as important for the worker's productive capacity. Schools are supposed to introduce "modern curricula geared to the new technological age and the real needs of the emerging local market."[207] The first sentence of the introductory sentence of the point on "Health and Population Issues" establishes this relation between "diminishing capacities" in the absence of "adequate health care." After this, the paper spends the next two paragraphs

---

[203] ibid, p. 6
[204] see World Bank, *World Development Report 2000/2001 - Attacking Poverty*, p. 135-161
[205] James D. Wolfensohn, *A Proposal for a Comprehensive Development Framework*, 1999, p. 6
[206] see Joseph Stiglitz, *Knowledge for Development: Economic Science, Economic policy and Economic advice*, Annual Wolrd Bank Conference on Economics, 1998, p. 9
[207] James D. Wolfensohn, *A Proposal for a Comprehensive Development Framework*, 1999, p. 7

discussing population growth and the final paragraph deals with diseases like tuberculosis, AIDS and malaria.[208] No reference is made to poverty related illnesses, most importantly malnourishment.

Good Governance

I have noted in the previous chapter that the acceptance that the state plays a key role in development is a recent shift in World Bank thinking. I have also discussed the role the Bank foresees for the state. However, it would be wrong to jump to the conclusion that the changed attitude towards the state has produced a less economistic and more political understanding of development. Instead, the recent move of promoting good governance allows the World Bank to ensure that the state enhances the market and relieves market imperfections.[209] The economistic bias and focus on growth stand out clearly when examining the Bank's conceptualization of Good Governance and the role of the state. For example Wolfensohn evaluated state activity in terms of its contribution to foster economic growth.

> improvements in policies and governance have generated growth led by the private sector... By building a more favourable environment for productivity and development, they are creating jobs, encouraging growth in domestic savings and investment while also spurring increases in foreign direct investment flows.[210]

While remaining committed to market determined outcomes, the Bank acknowledges that states are fundamentally implicated in defining the structure of market-mediated economic relations. But the inclusion of the state has not led to an acknowledgement of political aspects of development processes but instead to depoliticising the role of the state. The Bank's search for optimal forms of economic management reproduces an increasingly technical, apolitical conception of the state, which conforms to the Bank's organizational

---

208 ibid
209 see Fine, "The developmental State is Dead – Long live Social Capital?", 1999, p.13
210 ibid.

culture.[211] The state's role beyond limited coordination/regulation of the economy, for example in areas of affordable housing, food, labour organization, information access or income inequality, is ignored or only touched on in Bank publications on the state.

The Bank distinguishes between "institutionally strong" and "institutionally weak" states for its lending decisions. The criteria for classifying countries accordingly are not spelled out clearly. Most countries are likely to not fit into either ideal type, leaving wide leeway for different interpretations. Overall, there is a danger that deviations from Bank norms will be constructed as weak and that lending decisions will continue to be politically motivated. Moreover, the reasons for being institutionally weak or strong are not discussed; the underlying message is that state capacity depends on the internal structure and organization of states rather than the international system. Questions like the shifting power balances between state and non-state actors in an era of globalization and proliferating Transnational Companies are not addressed. Although entitled *The State in a Changing World*, the WDR 1997 does not discuss the inadequacy of the current governance structures in an age of globalization – outside the World Bank probably the most discussed question in the 1990s. The report portrays companies merely as engines of growth and prosperity, not political actors. Its failure to analyse the balance of forces between states and transnational companies, which are increasing their wealth and lobbying power, render extremely limited and naïve its discussion of the slow progress in taking action on problems like global climate change, realising a post cold-war peace dividend and reallocating health research budgets to diseases which most harm the poorer people.[212] Furthermore, the Report does not address the concern brought forward by some observers that states' ability to raise taxation is declining as a result of

---

[211] see Kiely, "Neo-Liberalism Revised? – A Critical Account of World Bank concepts of Good Governance and Market Friendly Interventions", 1998, p. 691/692 and Berger and Beeson, "Lineages of Liberalism and Miracles of Modernization: the World Bank, the East Asian Trajectory, and the International Development Debate", 1998, p. 497

[212] World Bank, *World Development Report – the State in a Changing World*, 1997, chapter 8

globalization, and that the taxation that can most easily still be collected is arguably that which falls most heavily on labour/the poor.

The Bank's understanding of "politics" as coping strategies for market imperfections lacks any analysis of the political economy based on class and power relations. It is only on this basis of an apolitical role of the state that the Bank can promote supposedly unproblematic partnerships among governments and civil society, rich and poor, private and public. I have already mentioned that the idea of these partnerships is the Bank's way to overcome a conflictual presentation of the state/market relation. This is a core idea of the CDF which "establishes mechanisms to bring people together and build consensus ... and forges stronger partnerships among governments, donors, civil society, private sector, and other development stakeholders."[213]

In a recent speech entitled *A Partnership for Development and Peace*, Wolfensohn explored the partnership idea in greater detail and the neo-liberal, universalistic and ethnocentric implications underlying the concept are spelt out more clearly here. Wolfensohn suggests that "more than ever today, bilateral and multilateral donors, governments and civil society are *coming together* in support of *shared principles*" and forge a "New Partnership between rich and poor based on *mutual interest* and *mutual support*."[214]

The idea of partnership reflects a liberal idea of an underlying harmony of interests between competing interest groups. Partnerships are assumed to be easily negotiable since a common conceptualization of the "good society" (a liberal capitalist democracy) and an agreement on the means to this end (reforms and projects financed with Bank loans, facilitated through the CDF) are assumed to exist already. The CDF is required only to explicate how different stakeholders are effected by or their potential contribution to the

[213] CDF principles, http://www.worldbank.org/cdf.html
[214] James Wolfensohn, *A partnership for Development and Peace*, 2002, p. 5, emphasis mine

specific reform or project proposal under discussion. Framing partnership in terms of how different actors relate to the project conveniently avoids the question of how the different actors relate to each other.

Among the "issues on which the principles are all agreed" and that are "not issues for debate" and "on which we can *all* close ranks and move forward"[215] Wolfensohn names effectiveness, productivity, anti-corruption, gender equality and local ownership. Postulating these goals as accepted truncates the political process, which is precisely about finding acceptable goals and means to achieve these goals. Apart from the undemocratic nature of foreclosing *anything* from further debate, some of these 'agreed' principles are in fact highly disputed issues in more traditional, authoritarian, non-secular or socialist states and can by no means be considered as unproblematic or as agreed upon unless the model for legal systems, bureaucracies and economic systems to follow the western liberal capitalist norms is taken to be as *a priori* given. The fact that Wolfensohn does postulate these generally agreed principles is a further proof of the ethnocentric, apolitical nature of the Bank's approach to development.

Any acknowledgement of conflictual interests between different groups in society would spoil the partnership image. Postulating a harmony of interests between the private and the public sector fits well with the Bank's needs to satisfy the diverse views of industrialized states backed by corporate interests and borrowing countries' governments. However, the fact that the state, rather than entering into partnership with the private sector, is needed to protect citizens from the adverse consequences of freely operating markets, cannot be accounted for in this development model. It becomes obvious that the role of the state envisaged by the Bank is acceptable for those who work within the realm of hegemonic common sense, which establishes a capitalist social system or universalized relations as the natural order of things. All others are likely to perceive the

---

[215] ibid. p. 7, emphasis mine

proposed partnerships as an unacceptable euphemism that conceals the unequal power relationships between actors with very different access to resources and bargaining capacities to influence the outcomes. How will, for example, municipalities like Gdansk (Poland) and Buenos Aires be able to negotiate effectively and on an even basis with the lawyers and financial analysts deployed by the small number of specialized transnational companies which have the water and sanitation contracts for these and many other cities? Instead of hiding these power imbalances behind fancy concepts like partnership, emancipatory approaches call for conscious efforts to rebalance these inequalities.

Knowledge Bank

The Bank's ethnocentric and neoliberal bias in a universalistic guise is also visible in its aspirations of becoming a knowledge bank. While debates surrounding epistemological questions concerning the status, production and dissemination of knowledge and its relation to power have figured prominently in certain academic circles, the Bank continues to present development knowledge as something neutral and delinked from issues of power. According to Lyla Metha, two of the lead writers of the WDR on knowledge even stated that their team took a particular economic perspective on how knowledge relates to development, consciously shying away from questions concerning epistemology, the sociology of knowledge, and power-knowledge linkages.[216] Overall, the Bank considers itself as the main producer of development knowledge and its aspiration to be a neutral gatekeeper of this knowledge as unproblematic. The Bank does not distinguish between dominant and marginalized discourses but suggests that knowledge is a neutral and objective category, existing in a vacuum. Its approach to knowledge is highly centralized, contradicting current understandings of the plural and situated nature of knowledge. I

[216] Lyla Metha, "The World Bank and its Emerging Knowledge Empire," pp. 189-196, *Human Organization*, Vol 60(2), Washington, 2001, p. 193

have already discussed the problems of treating development knowledge as easily convertible over time and space in the section on universalism in chapter one and I will not repeat the arguments here. Instead, I will focus on the relationship between power and knowledge.

Although the World Development Report on Knowledge for Development in 1998 included a statement that there should be a two-way flow of knowledge between developing countries and the industrialized world,[217] by far the greater part of the report is written on the assumption that knowledge is something the poor lack and the rich have: "poor people differ from rich ones not only because they have less access to capital but because they have less knowledge."[218] And, since "knowledge is costly to create,... much of it is created in industrialised countries."[219] – The Report's solution to this problem is straightforward: the knowledge needs to be transferred to the poor and once the knowledge is accessed, the isolation of the poor will be broken and they can be full-fledged members of the global community.[220] This makes the poor become consumers rather than producers of knowledge. To build up a knowledge base, the Bank recommends that developing countries open up to trade, encourage foreign direct investment, get access to technology licensing, and establish and endorse intellectual property rights standards.[221] This agenda facilitates the commodification of knowledge; a perspective which hides the problems of treating knowledge like any other good that can be traded. Lyla Metha warns that "the commodification of knowledge – facilitated by current debates of intellectual property – allows corporations and global agencies more control over the lives, knowledge systems, and natural resources of the poor."[222]

---

[217] World Bank, World Development Report – Knowledge for Development, 1998, p. 118
[218] World Bank, World Development Report – Knowledge for Development, 1998, p.1
[219] ibid.
[220] ibid, p.9
[221] ibid, p.145
[222] Metha, "The World Bank and its Emerging Knowledge Empire," 2001, p. 193

This idea of knowledge transfer should thus be greeted with scepticism. The criticism of indoctrination may be exaggerated but control over knowledge is rarely independent from control over other resources. What the World Bank implicitly (and through the Knowledge Bank probably explicitly in the future) deems as knowledge for development is more likely to count than the conceptions of knowledge for development of other actors. Consequently, the Bank is actually able to influence the way other actors frame their knowledge because closeness to Bank views will be perceived to increase their credibility and legitimacy. Goldman even says that

> the world of knowledge producers is being "structurally adjusted" to work more closely with the Bank. In this way, ideas of the environment, sustainability, markets, poverty and personal conduct are being studied, assessed, classified and quantified in terms that reflect the transnationalized ideology of neoliberalism.[223]

The combination of lending and advisory activities of the Bank facilitates both the material and ideational side of its hegemonic role in the development process. As Goldman observes "with the flow of large *capital* loans from the Bank to borrowing countries comes the flow of *ideas* and the institutional support to localize new neoliberal ideas, techniques, disciplines and behaviours."[224] An acceptance of the Bank as the agency responsible for the production and dissemination or "transferral" of knowledge legitimizes top down development interventions and unidirectional initiatives, leading to a privileging of dominant discources.

Knowledge does not just come from nowhere, readily available for the poor to access. Knoweldge arises out of a context and requires human action. As the report rightly says, it is created and does not merely consist in a static collection of facts.[225] However, the report does not discuss the detail of this knowledge production; the "processing" or manipulation of information through selection and omission, which in turn involves setting objectives,

---

[223] Michael Goldman, "The Power of World Bank Knowledge," http://www.brettonwoodsproject.org/topic/knowledgebank/goldmanarticle.htm
[224] ibid, emphasis mine
[225] Metha, "The World Bank and its Emerging Knowledge Empire," 2001, passim

identifying themes, selecting and defining categories. The Development Gateway is a good indicator for how this is being done. The Bank's Development Gateway is important both because it is probably the largest current "knowledge for development initiative" and because the Bank plays a key role in editorial control.

The Development Gateway aims at facilitating knowledge dissemination among different stakeholders by providing links to ideas and good practice, information about development activities, trends, funding, and commercial opportunities.[226] There are four main "areas of business" in the gateway:

1. a conventional portal to exchange knowledge and ideas about development
2. AIDA, a project database of over 400,000 projects
3. the development gateway market offering information about business opportunities to the private sector
4. country gateways where currently 44 countries put together local content that is relevant for development[227]

The Gateway seeks to use "the internet as a tool to reduce poverty and support sustainable development."[228] This leap from making knowledge more available to solving development issues on the ground occurs unfoundedly quickly. Knowledge *can* be emancipatory, empowering, enriching. However, it can also be used to legitimize and strengthen oppressive structures and maintain exploitation. There is no automatic correlation between knowledge transferral and economic growth, leave alone empowerment or democracy. Samoff and Stromquist observe that

> often, current research-supported information is used not to inform decisions but rather to justify and legitimize decisions on other grounds...While it might be appealing to assume that when decision makers have access to higher quality information, they will make better decisions, that oversimplification distorts the role of information in the policy process.[229]

---

[226] World Bank, *Global Development Gateway – A Network of Development Solutions*, Concept Note, June 19 2000, p. 1/2
[227] Interview with World Bank expert on the Development Gateway, August 22nd 2002, see also http://www.developmentgateway.org/
[228] World Bank, http://www.developmentgateway.org/
[229] Joel Samoff, and Nelly P Stromquist, "Managing Knowledge and Storing Wisdom? New Forms of Foreign Aid?". *Development and Change*, Vol 32, No 4, September 2001, pp. 617- 642, p. 636

It might be more important to ensure that the marginalized have access to information that fits into their livelihoods than to tailor the information according to the governments' needs. Gateway literature makes frequent references to its site being built by and for 'the development community' as if this was a clear set of people, not a large proportion of the world's population with different ways of constructing and perceiving issues. Not acknowledging this diversity, the North commissioned Northern experts to assemble and abstract sources. Gateway manager Nick Harrison confidently responded to this concern: "development is a mature subject, I think we do know the classifications."[230] A closer look at the Gateway's Topic structure however, supports Alex Wilk's judgement that the Gateway seems set up so as to "organise development-related information in a way that is convenient for people who see the world through official lenses."[231] The Gateway uses classic official agency categories. In following these, it does not contain a topic on political economy-preferring the concept of governance. "Privatization" gets a slot while "public services" do not; "Poverty" is a category on its own, not a cross cutting concern.

In response to the question whether the World Bank culture and policy preferences might not shape the content of the gateway, the person overseeing the implementation of the Development Gateway in the Bank answered that

> this is a legitimate concern but the Gateway does not belong to the World Bank, the Gateway Foundation is now who controls the gateway. The president of the foundation is Mamphele Ramphele, one of the Managing Directors of the World Bank so there is a close association but the World Bank has its own Website. It does not need the Gateway to project its image. If you look at the Website you are going to find a lot of information of the World Bank but actually the best place to find criticism on the Bank and the Gateway is the Gateway itself. This is a market. You have a product. In the end, if people do not use it because they think this is just a mechanism for World Bank propaganda then it will be a self fulfilling prophecy. The numbers that we have and the way that people are using it we are quite optimistic that that's not the case but I cannot comment on that. That is for you and other people to evaluate.[232]

---

[230] Alex Wilks, *Development through the Looking Glass: the Knowledge Bank in Cyber-space*, Paper for the 6th Conference on Education and Development, Knowledge, Values and Policy, September 2001, at www.breetonwoodsproject.org, p. 4
[231] ibid.
[232] Interview World Bank expert on the Development Gateway, August 21st 2002

Another criticism of the Gateway is that it presents knowledge as being readily available on mouse-click. This model of knowledge and knowledge sharing provides disincentives to learning and undermines and devalues learners' initiative and responsibility. For these reasons Samoff and Stromquist argue that "achieving information affluence in poor countries cannot rest on transfer and absorption but rather requires a generative process with strong local roots."[233]

Other critics have argued that a gigantic initiative like the Gateway will provide unfair, heavily-subsidized competition to other web initiatives. Michael Gurstein, Visiting professor at the School of Management, New Jersey Institute of Technology commented

> there is...a very real danger of this having the result of crowding out/unfairly competing/defunding all other "realities" – many of which may be closer to the interests and activities of folks on the ground, the NGOs, the implementers, the communities, the development activists.[234]

Confronted with these concerns, the Bank official responded that

> it is impossible for the World Bank to monopolize the development debate through the Gateway...Nobody ever said that this is going to be the only place where you can find information. We are making the best efforts to have a very efficient platform in the development community but it is basically pointing in the direction of other initiatives and other assets in the knowledge space... The Gateway is not supposed to replace anybody, it is a portal that will help other people find other good initiatives[235]

The Gateway seeks to legitimize itself by featuring also "local" views. These are supposed to be featured on the country gateways – franchises awarded to national committees who will run sub-portals linked to the global one. However Wilks observes that this is a false conflation of the local with the national. While Country gateways may appear local to those who organize the gateway at the global level, grass roots organization or marginalized groups will unlikely get a say in the country gateway committees.

Robert Bissio, Director of the Third World Institute, Uruguay, compared the Bank's

---

[233] Samoff, and Stromquist, Nelly P, "Managing Knowledge and Storing Wisdom? New Forms of Foreign Aid?", 2001, p. 617
[234] Michael Gurstein, Contribution to Global Knowledge for Development discussion, 18 September 2001, www.globalknowledge.org
[235] Interview, op. cit

"supersite ambitions" to global newspaper publishing:

> nobody has argued in favour of the World Bank or the national governments (the main actors of the proposed Gateway) starting to publish newspapers, even in countries which badly lack them. There would be a public outcry if someone proposed it, as the press is supposed to be 'free'. Why isn't there a similar concern about this proposal, web portals being, as newspapers, essentially an editorial activity.[236]

Rather than to build vast, comprehensive information databases, newsletters and websites, it would seem more fruitful to examine how a plurality of different datasets, reports and sites can be fostered and maintained. The Bank should have invested the $60 million in efforts to reduce the digital divide and encourage decentralization of development knowledge. Lyla Metha comments:

> Instead of one Gateway that needs one Gatekeeper and one entry point to a certain knowledge, the Bank needs to help create many smaller knowledge banks and gateways serving different purposes and generating different knowledges. For clearly the Bank is neither an impartial keeper nor an impartial producer of knowledge.[237]

In sum, the World Bank needs to examine its own knowledge system and how it is shaped by its peculiar institutional culture and by institutional power and politics.

Editorial pressures

Having examined the Bank's conceptualization of knowledge and knowledge production as neutral, objective and unproblematic, an analysis of the Bank's revision processes makes an interesting counterpart. This is especially important in light of the tremendous prevalence and influence of World Bank publications illustrated in chapter 4.

The World Bank is not a neutral or an honest broker of knowledge. Most of the 'knowledge' that will be disseminated by the Knowledge Bank reflects a Washington driven worldview since World Bank publications that are meant to represent official World Bank views and important publications like the WDR, undergo careful scrutiny before they get published. However, for example, quarrels over the World Development Report 2000

[236] Robert Bissio, www.bellanet.org/gdgprinciples
[237] Metha, "The World Bank and its Emerging Knowledge Empire," 2001, p. 193

have shown that the task of attempting to maintain a single neo-liberal voice in its multi-authored and interdisciplinary reports is becoming increasingly difficult.

Wade describes the WDR as

> both a researched-based document and a political document, in the sense that as the Bank's flagship its message must reflect back the ideological preferences of key constitutencies and not offend them too much, but the message must also be backed by empirical evidence and made to look 'technical.'[238]

While being concerned to project an image of independence, since the report is meant to be based on empirical evidence, Bank influence begins with the selection of the director, who is chosen by the chief economist with the approval of the president. The director and the chief economist then choose a team of 5-10 full-time authorial staff, most of them Bank staff members. They then have about 12 months to prepare the report. Drafts are circulated for internal comment, member governments also get to comment and over the 1990s the Bank has increasingly asked outsiders for comments on the reports as well. At first, this was only done when a near complete draft of the report was ready but from 1997 on, the Bank encouraged NGO and others to suggest what the Report should cover from early on. These consultations with actors outside the Bank have been an important step in a gradual process of opening the Bank further to the public. However the 1997 and 2000 experience also showed the limits of these consultation exercises. For example, the research team is not obliged to use any of the input from the consultations. In the case of the 1997 report, two prominent Southern NGO representatives presented a paper to the Bank team but their key points were not adequately addressed and the Bank team did not subsequently keep them involved in the production process. By contrast with its unsatisfactory efforts at consulting with civil society groups the Bank undertook a survey

[238] Robert Wade, "US Hegemony and the World Bank: the Fight over People and Ideas", *Review of International Political Economy*, May 2002, p. 8

of over 3700 firms in 69 countries for the report. A similar citizens' survey was contemplated to be carried out, but fell through on grounds of cost and/or time.[239]

Subsequently, the Bank has rectified this omission by its "Consultation with the Poor" exercise that involved about 60,000 people in 60 countries. The 2000 Report drew extensively on the results and, in addition to that, the drafts for this report were reviewed via an intensive and independently moderated electronic consultation exercise involving 1,253 subscribers in 80 countries, a far bigger scale than for any other World Development Report. Ravi Kanbur, the director of the 2000 report, was broadly sympathetic to civil society and used this perspective throughout the drafts for the report. The red cover draft (the red draft being a late stage in a sequence of drafts) expressed careful criticism of the Bank's liberalization agenda and strongly supported the Civil Society Agenda. The draft provoked strong opposition inside and outside the Bank and critical voices – especially from the US Treasury and powerful Bank economists – exerted considerable pressure on Kanbur to tone down the criticism and focus more on economic growth and less on income inequality.[240] Moreover, questioning the benefits of trade openness was rejected as flatly unacceptable. The critics said that "clarity of message is extremely important" and "the Bank's message is openness is good for the poor. The message should not be blurred with academic style qualifications."[241] Kanbur was caught between the Bank people and the US Treasury pressuring him to change the argument that seemed to him to emerge from the consultations, and asking him to behave in a way that violated the pledge he had given to the civil society groups to treat them fairly and transparently. In the end, he decided to attempt to safeguard the integrity of the report through his resignation, hoping that this would make the Bank declare ownership of an

---

239 for a detailed discussion of the publication of the 1997 report see Brettonwoodsproject

240 see Wade, "US Hegemony and the World Bank: the Fight over People and Ideas", p. 15

241 Robert Wade discusses the publication of this report at length in two different articles: "US Hegemony and the World Bank: the Fight over People and Ideas" and "Making the World Development Report 2000: Attacking Poverty", *World Development*, pp. 1435-1441, 29(8), 2001

independent team of social scientists, rather than delegates from the US Treasury to show the public the Bank's commitment to the process and the independence of the publication. When the story about Kanbur's resignation due to intense pressure to change the substance of the argument leaked to the press, External Affairs called the research team to an emergency meeting to debate how to present his resignation, since the Bank could not talk about these pressures publicly because that would throw doubt on the Bank's declaration that the WDR was an independent piece of research. In the end the red cover draft version was published with messages concerning the civil society agenda mostly intact and but minor changes were made to push the balance in favour of the finance agenda:

> -a chapter was added near the beginning to show that growth was good for poverty,
> -the chapter on market reform was given a stronger finance twist
> -the section on world capital markets was cut and softened

According to Wade, the Bank could not remove the civil society messages not only because the report's "integrity" was based on independent research, but also because to do so would "provoke the ire of NGOs around the world who had been involved in the elaborate consultation process."[242]

This case shows both the US influence and limits on WDR publications. However, if the Bank really considers the WDRs merely as "thinkpieces," and a vehicle for stimulating debate, as it officially says it does, the strong concern about its content is surprising. However, assuming that Wade is right when he says that "as a republic founded on ideals, the US is keenly aware of the impact of ideas on actions,"[243] the Bank's and US Treasury pressures can be readily understood. Wade concludes that

> in practice, the content of each report emerges as a contest between the authors, thinking of themselves as independent researchers, and senior management and External Affairs, thinking of it as independent so long as it says what they want it to say. The point is unwittingly clear in the Bank's press statement about Kanbur's resignation: "The World Bank is committed to both open debate and internal process

[242] Wade, "US Hegemony and the World Bank: the Fight over People and Ideas", 2002, p. 20
[243] ibid, p. 2

> that maintains the integrity of the WDR...The report will in the end be a product of the World Bank approved by its president and by incoming Chief Eoncomist Nicholas Stern[244]

Wade has given an equally detailed account of the Asian Miracle Report mentioned in the previous chapter, the content of which was equally contested. The authors Page and Birdsall had to make concessions for the publication after being exposed to similar pressures albeit this time from Japanese sponsors. Both in the case of the WDR 2000 and the Miracle Report, this has led to logical inconsistencies and contradictions. And Wade concludes that leaving these inconsistencies as attractor points for those who wish to put new questions on the agenda may be the way big organisations change their mind.[245]

Wade also finds similar processes of supporting structures for compliance with Bank views and hindering structures for divergent views at work in the entire Development Economics complex at the Bank, he observes that

> you do not get to be a Bank research economist without having demonstrated your commitment to the presumptions of neo-liberalism and to the analytical techniques of Anglo-American economics. Once there, you know that if you come up with pro-free-market findings you can send off your paper to *The Economist* or present it at an IMF seminar straight away without anybody else checking the results; whereas if you come up with contrary results you will be required by your managers to check them out with a panel of colleagues who may be asked to undertake independent replication while the paper is kept under internal wraps. The differential response sends a message to the researchers who are looking for cues as to how to come along and get along in the Bank.[246]

Overall, the discussion of these examples shows that knowledge production is not the neutral, independent, objective, apolitical process that the Bank pretends it is. This sheds further doubt on the desirability of having the Bank perform Knowledge Bank functions.

Bank Overload

Since its foundation after World War Two, the Bank has been continuously expanding

---

[244] ibid, p. 24
[245] Wade, "Japan, the World Bank and the Art of Paradigm Maintenance", 1996, p. 33
[246] Wade, "US Hegemony and the World Bank: the Fight over People and Ideas", 2002, p. 25

its roles. Catherine Caufield observes that "In recent years, the Bank has adopted – if only superficially – virtually every suggestion its supporters and critics have offered, with one exception: that the Bank practice self-restraint."[247] – This suggestion rings true if one considers the list of areas of Bank activities. The Bank is committed to helping the private sector, women and the poor; to working with non governmental organisations and the people directly affected by its projects; to increasing lending for education, health, nutrition and micro-enterprises; to protecting or improving the environment; to reducing military expenditures and corruption; to promoting openness in government, the rule of law and equitable income distribution, and most recently to transferring and producing development knowledge – and doing all that sustainably. The promotion of a holistic approach to development under the CDF in its attempt to tie together all the different aspects and actors in one single matrix can be seen as the latest expression of this expansion. While some may value this diversity of interests as a welcome step to dismantle the Bank's economic logocentrism, others have expressed concern with the Bank's lack of focus. Critics of the CDF have argued that the tendency to jump on every bandwagon leaves the "institution under great strain, with some key activities underfunded and tremendous stress and overload on staff." The need to be more selective and to prioritize was also expressed in the Compact Assessment.[248] The Assessment also found problematic the Bank's unwillingness to cede responsibilities to other agencies, even when they are in a better position to pursue this agenda creates competition among other agencies such as different UN organizations.[249] Once the Bank has added an issue onto its agenda, it tries to achieve prominence for itself in that area, influencing at least how that issue is framed.

[247] Catherine Caufield, *Masters of Illusion: The World Bank and the Poverty of Nations*, New York: Henry Holt and Company Inc., 1996
[248] World Bank, *Strategic Compact Assessment*, 2001, p. 8 and p. 5
[249] ibid, p. 23

Development processes are complex and it seems unrealistic to suggest that the Bank could address every possible aspect that relates to development satisfactorily. The CDF initiative offers a good opportunity to renew the discussion of what roles the World Bank should assume and what roles it should drop. This chapter has presented ample evidence that the Bank is unlikely to change its economistic outlook which places economic growth at the heart of its concerns. One possible response would be to let the Bank do what it is best in and pursue its growth agenda while strengthening other agencies to take responsibilities for non-economic issues that the Bank has failed to address satisfactorily. Those who argue in favour of emancipatory development will probably channel more resources through other agencies and less through the Bank in response to this return to the economic agenda. Those in favour of the economic approach are still faced with problems of not being allowed to compete with private capital flows on the one hand and of adequately addressing the contradictions of development banking on the other. Either way, it seems difficult to satisfactorily define a role for the Bank or a justification of its continued existence. I will continue this difficult discussion in the concluding chapter which will address the question of the future role of the World Bank.

Conclusion

I started the third chapter with the observation that the question of change in the Bank is discussed controversially with some maintaining that things have radically changed and others claiming that everything remains the same. In the course of my discussion, it has become clear that the answer to the question "change or continuity" depends on one's political and theoretical persuasions. Those who take the Bank's neoliberal framework and its goal of achieving economic growth as given, will be astonished about the drastic changes in strategy that the Bank has initiated. The old policy recommendations of liberalisation, competition, openness, macroeconomic discipline have not been abandoned but an unprecedented plethora of other issues are now also considered important: investment in people's health, education, housing, the environment, knowledge etc. On the other hand, those who question the goals that the Bank pursues as well as its ideological framework, remain unconvinced by the Bank slightly adjusting its means to achieve the same goal faster and more efficiently. The two agendas may share some common ground on certain policy questions since they both agree at a general level on the importance of such things as health, education, environment and institutions, albeit for different reasons.

Chapter 5

Conclusion

In the previous chapters, I have presented the case that the Bank has so far proven incapable of embracing a genuinely emancipatory approach to development and that it is unlikely to do so in the future. Constrained by structural impediments of the global political economy and dominated by the interests of powerful member states, the US in particular, the Word Bank is unlikely to ever be at the critical edge, advocating radical change. Instead, it will continue to reflect the common-sense development paradigm of the day as framed by the dominant member states. Overall, the Bank promotes the neo-liberal ideas of the Washington consensus not only because of pressures that arise from the neo-liberal agenda in its external operational environment but also because its own staff is genuinely convinced of the benefits of this approach internally. At the same time, it is clear that the World Bank is struggling to adapt to its changing environment and respond to criticism sufficiently to ensure its continued existence as a powerful player in the new millennium. In this concluding chapter, I will first deal with the need for change as it arises from the contradictions within the Bank's multiple identities as a bank, a development agency and an intellectual actor as well as from a different operational environment of the late 1990s. Secondly, I will discuss the implications of my analysis for a more radical emancipatory agenda.

The above examination of the World Bank's activities in the 1990s has pointed to some contradictions in the Bank's operations that undermine its legitimacy as the leading global financial and intellectual actor for development issues that it aspires to be. The poor performance of projects, the inability to identify profitable projects and the discussion about the paradox of immiserizing transfers has shifted Bank attention in two ways. On the one hand, Bank lending now focuses on countries that have a favourable policy environment; on the other hand, the Bank has shifted from project-based lending to policy-based lending and advisory functions. Both these shifts are problematic. The scope for policy based lending is limited by the Articles of Agreement that require it to abstain from political activities. The limitation to countries with a good policy environment contradicts the Bank's poverty agenda on the one hand and might lead to competing with private capital on the other. While the Bank's overall disbursements remain unchanged, the relative importance of Bank lending has decreased as private capital flows to developing countries increased during the 1990s. To revamp the Bank as a Knowledge Bank may be a way to resolve the problem of non-performing loans due to bad policy environments. Instead of pouring money into these countries, the Bank supplies them with knowledge about what constitutes good development policies, thus avoiding the problem of recurring debt crises. However the remaining niche for Bank lending is small. It would continue its lending activities to countries with a good policy environment for "soft" investments like social sectors that are considered too risky to attract private capital and it would provide loans for policy change to help countries with bad policy environments to fight corruption and reform the public sector. However, this restricted lending agenda and the possible result of a decrease in the Bank's lending volume will not satisfy the desire of the Bank's major shareholders to increase its lending volume as much as possible.

The stagnating demand for Bank loans thus forces the Bank to find new outlets for its capital, either through geographical expansion (increased lending to middle-income countries) or through further functional and sectoral proliferation labelled and justified as client orientation, or possibly both. The income from loans to middle income countries could provide the financial flexibility to expand the Bank's operations to rectify government and provide global public goods. With respect to correcting government failures, concerns about imposed conditions arise. However, governments that are *willing* to reform but lack the resources to introduce reforms may justify Bank activities in these areas.

The global public goods argument is problematic because of its flawed universalistic aspirations. The prime public good that the World Bank would provide is the "knowledge" of what constitutes good development practice. While I have illustrated the problems of this approach in the pervious chapter, the view prevails that the Bank has a comparative advantage because it combines lending functions with advisory functions. This is done at the expense of ignoring the contradictions between the Bank's financial function and its development agenda. However, for those that are less concerned with local empowerment, the global public goods argument constitutes a sufficient justification for the Bank's legitimacy. As Gilbert, Powell and Vines postulate:

> Knowledge about what constitutes good development policies is to a large extent generic rather than country specific: what works well in one country will, at least to some extent, work elsewhere. Knowledge of this kind has aspects of a global public good, requiring a global solution to the provision problem.[250]

In the case of development knowledge, it is still uncertain to what extent the reformulation as a Knowledge Bank will actually succeed, given the criticism that the concept has sparked among NGOs. While the Bank does a good job in disseminating its findings widely, this might not be enough to make it prevail as a Knowledge Bank. Much depends upon whether the research is believed, and by whom. Kanbur expresses doubt about whether the Bank's activities of framing and synthesizing development knowledge will have the desired outcome:

> to the extent that there is a perception, and perception is what matters, that the research is blinkered and dedicated to showing particular results, it will not have a general impact. In this context, effective mechanisms of collecting, organizing and disseminating information through electronic means can only deepen suspicion.... The central question is whether research institutions like the World Bank, who have to take stances and views on policy in their operations, can ever command wide enough trust to be an IPG.[251]

---

[250] Gilbert Powell and Vines, "Positioning the Bank", chap. in Gilbert, and Vines, (eds.), *The World Bank: Structures and Policies*, p. 57
[251] Kanbur, Ravi, *IFI's and IPG's: Operational Implications for the World Bank*, 2002, http://www.arts.cornell.edu/poverty/kanbur/IFI-IPG.pdf (accessed Sept. 23rd 2002), p. 17

In addition to development knowledge, Gilbert, Powell and Vines consider financial regulation (development of a corporate and financial infrastructure) and crisis prevention as public goods that the Bank should provide, failing to appreciate the extent to which the politicised decision making procedures in the Bank might reduce the voice of borrowing countries regulating these 'public goods.' There is a range of possible public goods with different consequences for different countries. As Kanbur observes when discussing the Bank as a provider of 'public goods':

> To the extent that benefits are very unevenly divided against developing countries, what we might have is not so much an IPG [International Public Good] as a cartel of developed countries pursuing their own interests. This distinction between an IPG and an international cartel is well worth bearing in mind as we move to a discussion of IFI [International Financial Institution] practice.[252]

While the above arguments show that the Bank is facing major challenges of institutional transformation to ensure its continued existence in a changed environment, critics are concerned that the current reformulation of the Bank will enable it to further fortify the unequal distribution of power. Legitimizing the Bank as the global leader in development knowledge and advice extends its hegemony to the ideological realm left out by its former economism. What is a viable position for advocates of a more radical change in development theory and practice?

First, if the World Bank is to continue its existence despite its role as a perpetuator of global power structures, it is important to continue to expose it as such. In agreement with critical theorists like Gramsci, I consider the critique of the current world order in general, and institutions of global governance like the World Bank in particular, as pivotal for bringing about social change. The success of emancipatory approaches to development depends on changing not just the World Bank but the common-sense understanding of the global political economy as a whole. The campaign to abolish the Bank as expressed in the "Fifty years is enough" initiative of some western NGOs, or the pressures to reform,

---

[252] ibid, p. 8

will be insufficient if it does not go hand in hand with a critique of global political and economic structures in general. If the Bank changed (which is, as argued above, extremely unlikely) but the global structures remained intact, the Bank would simply become a less important player as member states would channel their resources through other actors in compliance with the neo-liberal agenda. However, the World Bank is rightly considered as one institution among many that manifests, operationalizes and perpetuates the contemporary structures of the global political economy and should be criticized as such. This critique does not have to be homogenous or coordinated, and can and should find multiple channels of expression and points of attack. In order for it to have a stronger impact and be heard more widely, the formation of alliances between different dissident voices - if possible - seems desirable.

Many observers criticize the lack of cooperation among borrowing countries, arguing that they could potentially increase the pressure behind their demands for change if they organized more effectively.[253] This criticism fails to appreciate that the group labelled homogeneously "borrowing countries" refers to a numerous, diverse and fractionalized group of countries with very different needs. Moreover, the Bank has opened up its processes and procedures to the outside world in an attempt to make its operations more transparent despite (or perhaps partly also because of) the dispersed nature of the widespread criticism. It has included a much larger group of stakeholders in its discussions, treating (carefully selected) NGOs, and industry, as legitimate participants, though without making formal changes in access to decision making. Its rhetoric is also more than ever geared to the needs of its clients, which in current parlance number not some 150 governments but 4.7 billion people.[254] Even if it is doubtful how much real impact these changes have had on Bank operations, they have set in train a process of

[253] see for example Joseph, "Stasis and Change in the IMF and World Bank", 2000, p. 49
[254] James D. Wolfensohn, "People First", UNDP Hoffman Lecture, New York, 29 May, 1997

openness and transparency that is most likely to be irreversible.

In this context, it would be important to further pressure the Bank to take a more open stance on many operations, accepting a larger degree of pluralism and diversity. Acknowledging that the frameworks for understanding and interpreting information and knowledge in the development process are contested would mean allowing a range of issues to be debated and discussed, with dissenting voices invited and given their proper place, rather than presenting one particular synthesis to the exclusion of others. Giving a voice to those who are most affected by the Bank's operations, as has been done in a lot of recent studies - some of which even conducted by the Bank itself - is one very effective means of expressing this pluralism of opinions. It will also potentially uncover the mismatch between the Bank's myths of universal prosperity through economic growth and the harsh realities of people who live in abject poverty. In addition to comparing Bank rhetoric with the real outcomes of its lending operations in the field, another way to voice criticism, which I have used at various points in this work, is the comparison between Bank rhetoric in its publications on desirable development policies and its practice as it is reflected in its internal binding documents like its Articles of Agreement, its operational manual or its lending statistics. These comparisons usually illustrate, how the Bank falls short of its own standards an rhetoric. Embarrassing the World Bank through pointing out these inconsistencies is an important component of deconstructing the prevailing neoliberal common sense understanding of the global political economy. However, this is a piecemeal, long-term process.

Second, to the extent that situations can occur where lending makes the donor better off and the recipient worse off (as described in chapter 2), it is important to subject the World Bank and other donor agencies to close scrutiny whether aid is actually good for development. This cannot be assumed axiomatically; the evidence on this is decidedly mixed. An argument that is often used to justify maintenance or increase in official development assistance to counteract widespread aid fatigue is the notion that helping the borrowing countries is beneficial for donor countries in terms of increased security or lower migration pressures. However, before the World Bank and other agencies are allowed to use the "development is good for developed countries *too*" line of argument, one would have to be assured that it is good for the borrowing countries and not good for the developed countries *only*.

Third, in the medium and short term, strategies of co-optation can be and have been used by critics that want to push for political change in specific issue areas. These minor improvements will not have a major effect on the operations of the World Bank in and of themselves but they are important nevertheless. Interests of the Bank and its critics sometimes coincide. These "win-win" situations exist alongside the irreconcilable clashes of interests between different actors. For example, my analysis in chapters two and three has suggested that shareholders do not care what the money is lent for as long as the lending volume is high and return on investment is guaranteed. Consequently, any issue that can be argued to fit these imperatives is likely to be taken on by the World Bank. In the case of the participation agenda, for instance, participation can be shown to have a positive impact on project performance and has thus been incorporated into the World Bank's day to day activities to a considerable degree. Many social issues like education and health, while ends in themselves, have also easily been promoted in language that fits the Bank's fetish for economic growth and increasing productivity. It is important to explore in greater detail the extent to which interests of the rich and poor can and do overlap and to push the Bank to focus on those areas. This does not mean giving up the ultimate goal of more radical change but is a pragmatic step in the interim. From a moral point of view, it is important to deplore continuously that there is so little support among donors for the concerns of critical approaches to development but from a pragmatic point of view, one should also in the short and medium term search for common ground among donor and recipients in areas where both see a need for joint action.

In this context, concerns about perpetuating the subjugation of the borrowing countries by donor countries when adjusting arguments to fit the Bank's framework are certainly justified but only to a certain extent. Some activities that are pursued by the Bank to reinforce a neoliberal framework aimed at fostering the integration of a global capitalist market economy, like improving education and health, convey convertible skills to poor people in borrowing countries that can help them to develop indigenous movements for social change. Where radical and alternative discourses have been incorporated into World Bank discourse without producing any discernible benefit for the poor, it is necessary to continue the critique and expose the gap between rhetoric and reality.

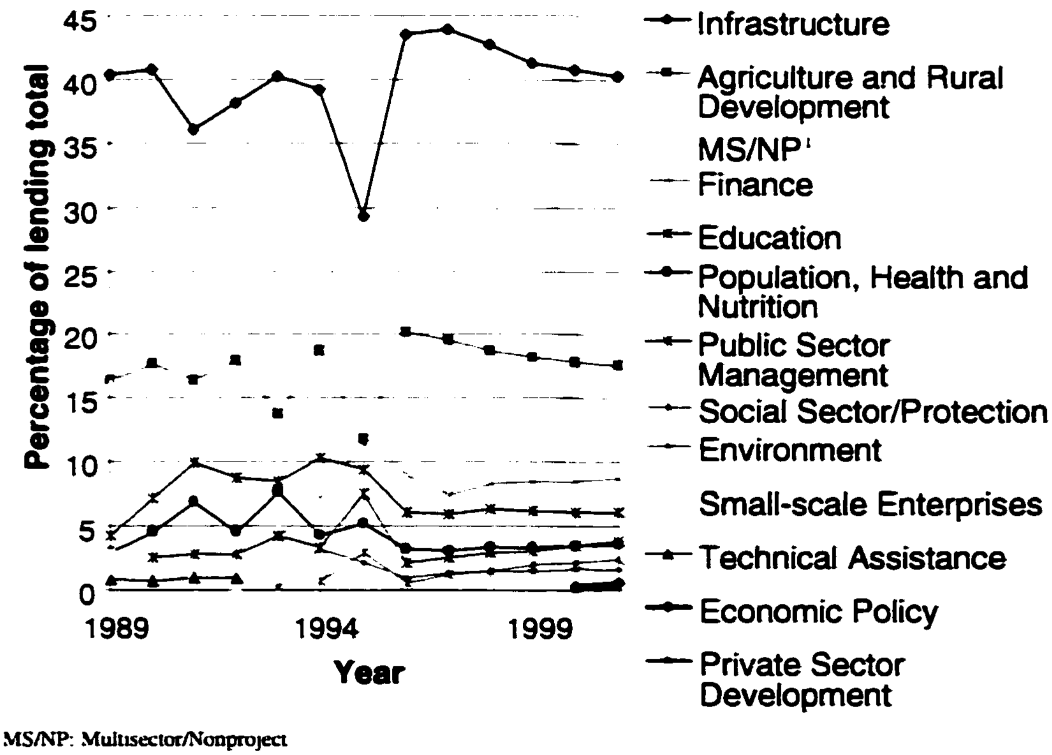
In sum, the Bank's cooptation of alternative discourse has made opposition both easier and more difficult. On the one hand, it can be considered a political victory that issues like women and development, the environment, social inequity, education, health or participation have been added to the Bank's agenda. Making the Bank deliver what so far only exists on paper will require further political struggle but the struggle now consists in pointing out the lack of realization rather than having to argue their importance. Their relevance has already been explicitly accepted rhetorically by the Bank in various documents so that these can now be considered established norms. On the other hand, to the extent that people take Bank reports at face value and are led to believe that current practice already adheres to the standards that so far only exist on paper, World Bank opponents are robbed of their vocabulary to express critique and alternatives. If current policies are held to address issues of social justice, local participation and environmental sustainability, what discourse is left to advance genuine empowerment?

Appendix A Overview - World Development Reports 1990-2002

Year	Title	Main emphasis
1990	Poverty	1980s lost decade for the poor; two part strategy: growth that uses labour of the poor (abundant asset) and provision of social services
1991	The Challenge of Development	summary of 40 years of development experience; interaction between governments and markets (market-friendly)=> investment in people, enabling environment for enterprises (competition, infrastructure, institutions), integration with the global economy, stable macroeconomic foundation
1992	Development and the Environment	Environment and sustainability=> win-win (economic growth and environment): removal of distortionary policies, population programs, participation, open trade and investment policies for technology transfer; strong policies and institutions if trade off: careful assessment of costs and benefits
1993	Investing in Health	foster an economic environment that enables households to improve their own health (growth policies that increase income for the poor, education), government spending on health should focus on cost effective programs (infectious diseases and malnutrition), diversity and competition in the financing/delivery of health services
1994	Infrastructure for development	improve provision and quality => promote more efficient and responsive service delivery through commercial management, competition and user involvement, avoid low operating efficiency, inadequate maintenance, unresponsiveness to needs. Public private partnerships
1995	Workers in an Integrating World	safe, productive and environmentally sound, income and working conditions => productivity-raising economic growth driven by sound investment in capital and in people's health and education beneficial for all; integration between countries (migration), provide social safety nets; legal and regulatory frameworks for trade unions and firms; markets systems, provide support to people adversely effected or in transition
1996	From Plan to Market	Transition – potential for growth and human welfare through free markets => expanding the private sector, restructuring social safety nets, clear property rights, private ownership, institutions (public agencies, legal systems, financial institutions, education and health systems needed for success of market economies), integration in global economy
1997	The State in a changing World	role and effectiveness of the state: what the state should do, how it should do it and how it can do it better => both stateless and state dominated development has failed - not minimalist state but effective state catalytic, facilitating role, complementing the activities of private business and individuals
1998/ 99	Knowledge for Development	Information, learning and adaptation - technical knowledge (knowledge gap) and knowledge about attributes (information problems) => policy reforms (lifelong education, openness to the world, competition), reducing information problems (accounting standards, disclosure requirements, credit rating agencies)
1999/ 00	Entering the 21st century	Changing development landscape, move beyond economic growth, encompass social goals (poverty, food security, water scarcity, climate change, education, health, cultural preservation), participatory => CDF: governance, legal and financial institutions; opportunities and challenges of globalization and localization
2000/ 01	Attacking Poverty	comprehensive, multifaceted and integrated mandate: public action globally, nationally, locally, forces of global integration and technological innovation must serve the interests of the poor. Include powerlessness, voicelessness, vulnerability and fear as dimensions of poverty => promoting opportunity, facilitating empowerment, enhancing security, GLOBAL action: global financial stability (opening the markets of the rich), bridging digital and knowledge divides, Providing resources for international public goods, increasing aid and debt relief, giving a voice to poor countries and people in international forums
2002	Building Institutions for Markets	what makes institutions work and how to build them, ensure stable growth, equal opportunity and empowerment for the poor => land titling institutions, judicial institutions, corporate government institutions. One size does not fit all; roles of private and public, national, local, international actors. Complement what exists, Innovate and experiment, Connect through open information flows and trade

Appendix B: IBRD/IDA Lending 1989-2001 by Major Purpose
(in percentage of lending total)

Sector/Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Electric Power and other energy	15.36	15.55	5.92	14.08	11.03	6.57	9.69	14.12	13.98	13.58	12.81	12.61	12.33
Industry	9.28	3.86	8.74	3.63	1.41	3.34	1.03	5.32	5.84	5.47	5.27	5.10	4.92
Mining					1.11	0.07	0.11	1.06	1.00	1.25	1.24	1.21	1.18
Oil, gas and coal	2.72	0.42	8.37	4.51	4.11	6.66	2.94	3.13	2.88	2.69	2.53	2.48	2.41
Telecommunications	0.75	2.98	1.50	1.98	1.49	2.03	1.44	1.70	1.64	1.52	1.43	1.41	1.37
Transportation	8.57	13.45	6.12	9.72	16.23	15.81	9.46	13.91	14.32	14.11	13.93	13.83	13.95
Water Supply and Sewerage	3.70	4.50	5.40	4.20	4.87	4.68	4.62	4.36	4.31	4.15	4.05	4.11	4.08
Infrastructure	**40.39**	**40.75**	**36.06**	**38.13**	**40.24**	**39.15**	**29.29**	**43.61**	**43.96**	**42.78**	**41.26**	**40.75**	**40.24**
Agriculture and Rural Development	16.33	17.66	16.34	17.94	13.79	18.75	11.76	20.19	19.50	18.77	18.19	17.83	17.50
MS/NP 1	16.00	14.70	12.44	15.80	15.28	6.83	14.06	10.04	10.36	10.16	11.77	11.54	11.14
Finance					4.03	7.22	11.39	8.95	7.34	8.31	8.39	8.51	8.67
Education	4.17	7.18	9.93	8.68	8.47	10.36	9.31	6.07	5.98	6.30	6.19	6.14	6.08
Population, Health and Nutrition	2.92	4.51	6.91	4.43	7.65	4.25	5.16	3.19	3.05	3.30	3.32	3.43	3.52
Public Sector Management		2.54	2.83	2.77	4.20	3.33	7.57	2.13	2.51	2.88	3.08	3.46	3.86
Social Sector/Protection						0.72	2.87	0.51	1.21	1.49	2.00	2.16	2.43
Environment					0.28	3.16	2.15	0.86	1.36	1.48	1.48	1.54	1.59
Small-scale Enterprises	2.74	1.00	0.93	0.28									
Technical Assistance	0.82	0.68	0.87	0.90									
Economic Policy												0.27	0.54
Private Sector Development												0.06	0.15
Development Finance Companies	11.08	6.13	8.16	4.72									
Urban Development	5.56	4.84	5.53	6.34	5.53	6.14	6.44	4.44	4.73	4.54	4.33	4.32	4.28
Tourism					0.55	0.10							



1 MS/NP: Multisector/Nonproject

Source: Calculations based on IDA/IBRD lending statistics from the World Bank's Annual Reports 1989-1990

Books and Articles

Akbar S. Ahmed, "Embracing the other", *Interventions – International Journal of Postcolonial Studies*, Vol. 1(1), pp. 9-14, 1998

Allison, Graham T., *Essence of decision : explaining the Cuban Missile Crisis*, New York, Longman, 1999

Ascher, William, "The World Bank and US Control", pp. 115-40, chap in Karns, M and K. Mingst (eds.), *The United States and Multilateral Institutions: Patterns of Changing Instrumentality and Influence*, London: Routledge, 1992

Baldwin, David, "The International Bank in Political Perspective", *World Politics*, Vol. 18(1), 1965

Bauman, Z., "On Universal Morality and the Morality of Universalism", European Journal of Development Research, p. 7-18, 10(2), 1998

Berger, M.T., Beeson, M., "Lineages of Liberalism and Miracles of Modernization: the World Bank, the East Asian Trajectory, and the International Development Debate", *Third World Quarterly*, Vol. 29(3), pp. 487-504

Bergesen, Helge Ole and Levi Lunde, *Dinasours or Dynamos? – The United Nations and the World Bank at the Turn of the Century*, London: Earthscan Publications Ltd., 1999

Brand, H., "The World Bank, the Monetary Fund and Poverty", *Dissent*, Vol. 40 p. 497-504, 1993

Broar, R, Landi, M., "Whither North South-Gap?", *Third World Quarterly*, Vol, 17(1), p. 7-17, 1996

Cahn, J., "Challenging the New Imperial Authority: The World Bank and the Democratization of Development", *Harvard Journal of Human Rights*, Vol 6, 1993

Carlsson, Jerker, Gunnar Köhlin and Ekbom Anders, *The Political Economy of Evaluation, International Aid Agencies and the Effectiveness of Aid*, St. Martin's Press, 1994

Caufield, Catherine, *Masters of Illusion: The World Bank and the Poverty of Nations*, New York: Henry Holt and Company Inc., 1996

Cooper, Andrew F., and Brian Hocking, Governments, NGOs and the Recalibration of Diplomacy, *Global Society*, pp. 361-376, 14(3), 2000

Cox, Robert, "Social Forces, States and World Order: Beyond International Relations Theory", chap. in Robert B.J. Walker, *Culture, Ideology and World Order*, pp. 258-302, Westview Press, Boulder and London, 1984

Dallaire, Sebastian, "Continuity and Change in the Global Monetary Order", chap. in John J. Kirton, George M. Von Furstenberg (eds), *New Directions in global economic governance*, Burlington, USA, Ashgate, 2001

Dasgupta, Biplab, "Structural Adjustment Programmes: Issues and Conditionalities – A Global Review", *Economic and Poitical Weekly*, May 17-24, pp. 1091-1103

Dirlik, Arif, *The Postcolonial Aura - Third World Criticism in the Age of Global Capotalism*, Westview Press, Colorado, 1997

Durfee, Mary, and Rosenau, James N., "Playing Catching-Up: International Relations Theory and Poverty", *Millennium, Journal of International Studies*, Vol. 25 (3), pp. 521-545, 1996

Escobar, Arturo, *Encountering Develompent: The Making and the Unmaking of the Third World*, Princeton: Princeton University Press, 1995

________, "Imagining a Post-Development Era", *Social Text*, Vol. 31/32, pp. 20-56, 1992

Evans, H, "Debt Relief for the Poorest Countries: Why Did it Take so Long?", *Development-Policy-Review*, 17(3), pp. 267-79, 1999

________. "The Eclipse of the State? Reflections on Stateness in an era of Globalisation", *World Politics*, vol. 50(1), 1997

Evans, A and M. Moore, (eds.), "The Bank, the State and Development: Dissecting the 1997 World Development Report", *IDS Bulletin*, Vol. 29 (2), 1998

Fidler, Stephen, "Who's minding the Bank?", *Foreign Policy*, p. 40-50, vol. 126, Sept/Oct. 2001

Fine, B., "The Developmental State is Dead, Long Live Social Capital?", *Development and Change*, Vol. 30(1), p. 1-19, 1999

Femia, Joseph V., *Gramsci's Political Thought -, Hegemony, Consciousness, and the Revolutionary Process*, Oxford: Clarendon Press, 1981

Ferguson, J., 1990, *The Anti-Politics Machine: 'Development', Depoliticisation and Bureaucratic State Power in Lesotho*, Capetown: David Philip

Forgas, David (ed.), *An Antonio Gramsci Reader – Selected Writings, 1916-1935*, New York: Schocken Books, 1988

Foucault, Michelt, *The History of Sexuality*, Volume one, New York: Vintage Books, 1980 (1978)

Gellner, Ernest, *Conditions of Liberty: Civil Society and its Rivals*, London: Hamish Hamilton, 1994

George, Susan, "How to win the War of Ideas: Lessons from the Gramscian Right", *Dissent*, 1997

George, Susan and Fabrizio Sabelli, *Faith and Credit – The World Bank's Secular Empire*, London: Penguin Books, 1994

Gilbert, Christopher L, Andrew Powell, David Vines, "Positioning the Bank", p. 39-87, chap in Gilbert, Cristopher L. and Vines, David, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000

Gilbert, Cristopher L. and Vines, David, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000

Gill, S., "Structural Change and Global Political Economy: Globalizing Elites and the Emerging World Order" in Y. Sakamoto (ed.), *Global Transformation: Challenges to the State System,* Tokyo: United Nations University Press, 1994

Goldman, Michael, "The Power of World Bank Knowledge," http://www.brettonwoodsproject.org/topic/knowledgebank/goldmanarticle.htm

Gwin, Catherine, "US Relations with the World Bank, 1945-1992", pp. 195-274, chap in. Kapur, Devesh, John P. Lewis, Richard Webb, (eds.), *The World Bank: Its First Half Century,* Washington D.C.: Brookings Institution Press, 1997

Harris, J. and P. de Renzio, "'Missing Link' or Intellectually Missing?: The Concept of Social Capital, An Introductory Bibliographic Essay", *Journal of International Development,*

Harvey, David, "The Nature Environment: Dialectics of Social and Environmental Change", in *The Socialist Register,* London: Merlin Press, p. 28-31, 1993

Haque, M. Shamsul, *Restructuring Development Theories and Policies – A Critical Study,* State University of New York Press, 1999

Ilon, L, "The Changing Role of the World Bank: Education Policy as Global Welfare", *Policy and Politics,* Vol. 24(4), p. 413-424, 1996

Jahn, Beate, "One Step Forward, Two Steps Back: Critical Theory as the Latest Edition of Idealism", pp. 613-641, *Millennium,* 27(3), 1998

Joseph, J.W., "Stasis and Change in the IMF and World Bank: International Context and Institutional Dynamics", *Social Science Journal,* Vol. 37(1), p. 43-66, 2000

Kanbur, Ravi, *IFI's and IPG's: Operational Implications for the World Bank,* 2002, http://www.arts.cornell.edu/poverty/kanbur/IFI-IPG.pdf (accessed Sept. 23rd)

Kanbur, Ravi and David Vines, "The World Bank and Poverty Reduction", chap in Cristopher L. Gilbert, and David Vines, (eds.), *The World Bank: Structures and Policies,* Cambridge, Cambridge University Press, 2000

Khan, Sharukh R., *Do World Bank and IMF Policies Work?,* Macmillan Press Ltd., 1999

Kiely, Ray, "Neo-Liberalism Revised? A Critical Account of World Ban conceptions of Good Governance and Market Friendly Intervention", *International Journal of Health Services,* Vol. 28(4), pp. 683-702, 1998

________ "Third Worldist Relativism: A New Form of Imperialism", *Journal of Contemporary Asia,* pp. 159-178, Vol. 25(2), 1995

________. "Third Worldist Relativism: A New Form of Imperialism", *Journal of Contemporary Asia*, Vol. 25(2), 1995

Kothari, Uma and Martin Minogue (eds.), *Development Theory and Practice – Critical Perspectives*, London: Palgrave, 2002

Leftwich, Adrian, "Globalization, Democracy and development in the Third World", Third World Quarterly, vol. 14, pp. 605-424, 1993

Linklater, Andrew, "The Question of the Next Stage in International Relations Theory: A Critical-Theoretical Point of View", pp. 77-100, Millennium, 21(1), 1992

Marcuse, Herbert, *One Dimensional Man*, London: Sphere Books, 1972

Marglin, Stephen, (ed), *Dominating Knowledge: Development, Culture and Resistance*, Oxford, Clarendon, 1991

Miller-Adams, Michelle, *The World Bank: New Agendas in a Changing World*, London: Routledge, 1999

Mearsheimer, John J., "The False Promise of International Institutions", pp. 5-49, *International Security*, 19(3), Winter 94/95

Metha, Lyla, "The World Bank and its Emerging Knowledge Empire," pp. 189-196, *Human Organization*, Vol 60(2), Washington, 2001

Mohan, G. "Post-Structuralism and Political Economy in Contemporary Development Studies", *Review of African Political Economy*, No. 73, 1997

Mosley, Paul, Jane Harrigan and John Toye, *Aid and Power; The World Bank and Policy-based Lending*, 2nd ed., London: Routledge, 1995

Moon, B.E., "Exports, Outward-Oriented Development, and Economic Growth", *Political Research Quarterly*, Vol. 51(1), pp 7-37, 1998

Moore, D., "Sail on, O Ship of State, Neo-Liberalism, Globalization and the Governance of Africa", *Journal of Peasant Studies*, Vol. 27(1), pp. 35-60, 1999

Moore, David B. and Gerald J Schmitz, (eds.), *Debating Development Discourse:Institutional and Popular Perspectives*, New York: St Martin's Press, 1995

Nelson, Paul J., *The World Bank and Non-Governmental Organizations – The Limits of Apolitical Development*, London: Macmillan Press Ltd, 1995

Pereira, Luiz Carlos Bresser, "Development Economics and the World Bank's identity crisis", *Review of International Political Economy*, Vol. 2(2), 1995, pp. 211-247

Pender, John, "From Structural Adjustment to 'Comprehensive Development Framework": Conditionality transformed?", *Third World Quarterly*, pp. 397-411,vol. 23(3), 2001

Petiteville, F., "Three Mythical Representations of the State in Development Theory", *International Social Science Journal*, Vol.50(1), 1998

Polanyi, Karl, *The Great Transformation*, Toronto: Farrar&Rinehart, 1944

Puiggros, A., "World Bank Education Policy: Market Liberalism Meets Ideological Conservatism", *International Journal of Health Services*, Vol. 27(2), pp. 217-226, 1997

Raustiala, Karl, "States, NGOs and International Environmental Institutions", *International Studies Quarterly*, Vol. 41(4), December 1997

Remmer, K., "Theoretical Decay and Theoretical Development: The Resurgence of Institutional Analysis", *World Politics*, Vol. 50(1)

Rich, Bruce, *Mortgaging the Earth: The World Bank, Environmental Impoverishment and the Crisis of Development*, Boston: Beacon Press, 1994

Rosenau, James N., *Along the Domestic-Foreign Frontier – Exploring Governance in a Turbulent World*, Cambridge University Press, 1997

Rowley, A, "Competing Gospels", *Far Eastern Economic Review*, 56, 1991

Samoff, Joel and Nelly P Stromquist, "Managing Knowledge and Storing Wisdom? New Forms of Foreign Aid?". *Development and Change*, Vol 32, No 4, pp. 617- 642, September 2001

Schuurman (ed.), Frans J., *Beyond the Impasse – New Direction in Development Theory*, London: Zed Books, 1993

Shaw, M., "The State of Globalization: Towards a Theory of State Transformation" *Review of International Political Economy*, Vol. 4(3), 1997

Shils, E, "The Intellectuals in the Political Development of the New States", *World Politics*, Vol. 12(3), 1964

Sklair, L. "Social Movements for Global Capitalism:The Transnational Capitalist Class in Action", *Review of International Political Economy*, Vol. 4(3), 1997

Stanley Foundation, *United Nations - Bretton Woods collaboration: how much is enough?*, Muscatine, Iowa, 1995

Stiglitz, Joseph E., Introduction, p.1-9, chap. in Gilbert, Cristopher L. and Vines, David, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000,

Stern, Nicholas with Francisco Ferreira, "the World Bank as 'Intellectual Actor'", pp. 523-609, chap. in Kapur, Devesh, John P. Lewis, Richard Webb, (eds.), *The World Bank: Its First Half Century*, Washington D.C.: Brookings Institution Press, 1997

Sturzenegger, Frederico and Mariano Tommasi, (eds.), *The Political Economy of Refom,*, Cambridge, MIT, 1998

Sylvester, Christine, "Development Studies and Postcolonial Studies: Disparate Tales of the 'Third World'", *Third World Quarterly*, Vol. 20(4), pp. 703-721, 1999

Taylor, L., "Editorial: The Revival of the Liberal Creed – the IMF and the World Bank in a Globalized Economy", *World Development*, Vol. 25(2), 1997

Thompson, Michael and Aaron Wiladvsky, "A Cultural Theory of Information Bias in Organizations", *Journal of Management Studies*, vol. 23, pp. 273-86

Tooze, Roger and Craig N. Murphy, "The Epistemology of Poverty and the Poverty of Epistemology in IPE: Mystery, Blindness, and Invisibility", *Millennium, Journal of International Studies*, Vol. 25 (3), pp. 681-707, 1996

Underhill, Geoffrey "Changing Global Order", chap, in Richard Stubbs and Geoffrey R.D. Underhill, *Political Economy and the Changing Global Order*, 2000

Wade, Robert, "US Hegemony and the World Bank: the Fight over People and Ideas", *Review of International Political Economy*, May 2002

________ "Making the World Development Report 2000: Attacking Poverty", *World Development*, pp. 1435-1441, 29(8), 2001

_________, "Japan, the World Bank and the Art of Paradigm Maintenance", *New Left Review*, 217, p. 3-37, May/June 1996

Wilks, Alex, *Development through the Looking Glass: the Knowledge Bank in Cyber-space*, Paper for the 6th Conference on Education and Development, Knowledge, Values and Policy, September 2001, at http://www.brettonwoodsproject.org

Williams, G., "Why Structural Adjustment is Necessary and Why it Doesn't Work", *Review of African Political Economy*, No. 60, 1994

Williams and Young, "Governance, the World Bank and Liberal Theory", P*olitical Studies*, XLII, p. 84-100, 1994

Woods, Ngaire, "The Challenges of Multilateralism and Governance", pp. 132-159, chap in Gilbert, Cristopher L. and Vines, David, (eds.), *The World Bank: Structures and Policies*, Cambridge, Cambridge University Press, 2000

Woolcock, "Social Capital and Economic Develoment: Towards a Theoretical Synthesis and Policy Framework", *Theory and Society*, Vol. 27(2), p. 151-209, 1998

Yapa, Lakshman, "What causes poverty? – A Postmodern view", *Annals of the Association of American Geographers*, pp. 707-728, 86(4), 1996

Documents

Bread for the World Institute, "Gender Justice and the World Bank", *Development Bank Watchers' Project*, Silver Spring: Bread for the World Institute, 1996

Stiglitz, Joseph E., "Towards a New Paradigm for Development: Strategies, Policies, and Processes", Prebisch Lecture at UNCTAD, 1998

________. "An Agenda for Development for the Twenty-First Century", World Bank 9th Conference 1997

United Nations Development Programme (UNDP), *Human Development Report*, New York: Oxford University Press, 1990

Wolfensohn, James, D., New Directions and New Partnerships, Annual Meetings Address October 10 1995

________. *Creating an International Development Framework*, 1999

________. *A Partnership for Development and Peace*, March 2002, http://www.worldbank.org/html/extdr/extme/jdwsp0300602.htm

World Bank, Strategic Compact Assessment, World Bank, 2001, http://www.worldbank.org/html/extdr/strategypapers/assessment.pdf

________ "The influence of World Bank Research on Policy in the Developing World" in World Bank, *The World Bank Research Program 2000,* Washington D.C., World Bank, 2001

________ *Global Development Gateway – A Network of Development Solutions*, Concept Note, June 19 2000

________ World Bank Operational Manual, http://wbln0018.worldbank.org/Institutional/Manuals/OpManual.nsf/

________ *Assessing Aid: What Works, What doesn't and Why*, Washington D.C., World Bank, 1998

________ *The World Bank and Participation*, Operations Policy Department, 1994, p. i

________ *The East Asian Miracle: Economic Growth and Public Policy*, Washington, Oxford University Press, 1993

World Bank, *IBRD Articles of Agreement*, http://www.worldbank.org/html/extdr/arttoc.htm

________. *World Development Report*, years 1989-2002

_______ Annual Report, year 1989-2001

Vita

Name:	Veronika Wodsak
Place and Year of Birth:	Neuss, 1978
Education:	University of Kent at Canterbury, 1997-01 Università degli Studi di Catania, 1999-00 B.A. (Honours, International Relations with Italian) 2002 Queen's University, 2001-02
Experience:	Teaching Assistant, Department of Political Studies, Queen's University
Scholarships/Awards/Prices:	DAAD Scholarship 2001-02 Kent County Council Award for Tuition Fees 1997-01 Prize for most outstanding Examination Results of the class 2001, Department of Politics and International Relations, University of Kent at Canterbury, 2001