**Numéro thématique: Dix ans de réforme du projet de réduction de la pauvreté à la Banque mondiale**

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## Introduction

*Dix ans après l'introduction des DSRP vers la fin des années 1990, ce numéro thématique tentent de dresser le bilan des initiatives associées aux politiques de la Banque mondiale entamée avec l'introduction du Cadre de développement intégré (CDF) et de l'approche préconisée par les Documents de stratégie de réduction de la pauvreté (DSRP). Les articles, qui ont d'abord été présentés au congrès annuel de l'International Studies Association (ISA) à New York en mars 2009, examinent leur impact et évaluent leur succès sur le terrain. Ce faisant, ils démontrent l'évolution des objectifs et des politiques sur la pauvreté de la Banque mondiale en soulignant certaines similarités et discontinuités dans les façons dont les recommandations néolibérales sur les politiques des générations précédentes – y-compris les controversés programmes d'ajustement structurel (PAS) de la Banque – traitaient le problème de la réduction de la pauvreté. Cette introduction situera les problèmes traités dans ce volume dans un cadre historique et conceptuel, fournira un synopsis concis de chaque article, et le positionnera dans ce cadre, pour finir par une réflexion sur la manière dont la crise financière mondiale actuelle pourrait influencer les futures politiques de prêt de la Banque mondiale.*

*Établie en 1945, la Banque mondiale est sans doute la plus importante institution de développement multilatéral, et ses différents volets fournissent aide financière, garanties contre le risque, assistance technique et conseils sur les politiques, tant aux gouvernements qu'au secteur privé (Stone et Wright, 2005). Sa capacité de prêt dépasse de loin celle des autres institutions financières, même si elle prête nettement moins que les banques commerciales aux pays en développement. La Banque jouit d'une certaine influence en vertu de sa cote de solvabilité supérieure, de l'étroitesse de ses liens avec de nombreux gouvernements, de sa capacité d'assortir ses prêts d'exigences de politiques favorables de grande portée (conditionnalités), et de son rôle de producteur et disséminateur du savoir. Tout cela lui permet d'influencer la forme que prend le débat sur le développement (Barnett et Finnemore, 1999).*

**Special Issue: A Decade of Poverty Reform at the World Bank**

Manfred Bienefeld and Arne Ruckert[1]

## Introduction

This Special Issue on *A Decade of Poverty Reform at the World Bank* focuses on the on-going policy transformations at the World Bank that began with the introduction of the Comprehensive Development Framework (CDF) and the Poverty Reduction Strategy Paper (PRSP) approach in the late 1990s. The papers in this issue were first presented at a series of panels at the Annual Convention of the International Studies Association (ISA) in New York, in March 2009. A decade after the introduction of PRSPs, they seek to take stock of the subsequent poverty reduction initiatives by interrogating their impacts and evaluating their success on the ground. And in so doing, they illuminate the evolution of the World Bank's poverty – and policy – agenda, in part by drawing attention to certain similarities and discontinuities in the ways in which previous generations of neoliberal policy advice, including the Bank's controversial structural adjustment programs (SAPs), dealt with the question of poverty reduction. This introduction will historically and conceptually frame the issues addressed in this volume, provide a concise synopsis of each article locating it within that framework, and finally reflect on how the current global financial crisis might impact future World Bank lending.

The World Bank is arguably the most important multilateral development institution. Established in 1945 at the Bretton Woods conference (along with its sister institution the International Monetary Fund), it has grown into a multi-pronged development institution that provides financial assistance, risk guarantees, technical assistance, and policy advice to both governments and the private sector (Stone and Wright, 2005). The lending power of the Bank far exceeds that of other financial institutions, even though its lending volume to developing countries is far less than that of commercial banks. The Bank enjoys greater leverage by virtue of its superior credit rating, its close relationship with many governments, its ability to attach far reaching policy conditions to its loans (i.e. conditionality), and its role as knowledge producer and disseminator which allow it to play a powerful role in shaping the development debate (Barnett and Finnemore, 1999).

## A Short History of World Bank Lending

Although initially established as the IBRD (International Bank for Reconstruction and Development) with special responsibility for the post WW II reconstruction of Europe, the Bank became a powerful player in the field of international development cooperation soon after its earliest beginnings in the 1950s. However, it was the ‘Third World debt crisis’ in the early 1980s that dramatically increased its leverage and allowed it to move from ‘project lending’ to ‘policy lending,’ described by Eliot Berg in an internal report for the Bank as an instrument for “buying a place at the policy high table” (Berg and Batchelder, 1985). And, as Berg had warned, this inevitably politicized the Bank’s activities as it became deeply involved in strategic decisions with far-reaching consequences for sovereignty, for labour and for the organization of production, commerce and finance in negotiations over its much criticized structural adjustment loans.

In retrospect it is clear that the Bank was willing to accept the risks associated with the more overt politicization of its activities because the coming to power of neoliberal governments in the US and the UK ushered in a period of intense ideological struggle in which the Bank and the Fund clearly had a role to play. However, these institutions were not necessarily reluctant partners in this enterprise since they had been turning away from the traditional post-war (Keynesian) development model that had placed the state at the heart of the development process, making it responsible for creating the infrastructure and the capabilities that would lay the foundations for successful market based development. Accordingly, in its project lending phase the Bank had been primarily engaged in channeling funds for large-scale infrastructure projects through public development agencies, and in encouraging and supporting import substitution (Stone and Wright 2005: 2). However, this post-war consensus had begun to unravel with the collapse of the early, highly regulated Bretton Woods system that had ultimately been made unmanageable by growing economic imbalances, rising international capital flows and increasing tension between the US and its main trading partners.

But within that context, two specific developments played a key role in triggering the paradigm shift in the official development debate. The first was the fact that faced with ever intensifying competitive pressures, US and UK multinationals began to invest in the developing world, not just in order to supply local or regional markets, but in order to export back to the industrial countries, and thus became import substitution's implacable enemies, having once been its vocal advocates. The second was the fact that the extreme economic turmoil that followed the collapse of Bretton Woods and the oil crisis effectively destroyed the viability of most of the 'infant industries' in which the developing world had invested so heavily over the previous decade with the help and support of the Bank, and the Fund (Bienefeld, 1982). This meant that the stage was set to 'discover' the obvious, namely that import substitution is inefficient from a static allocative perspective – which is true by definition; and that state led development, like most market led development, had 'failed' in the sense of not being viable under the extreme economic circumstances prevailing in the latter half of the seventies. And so, a new consensus had emerged in certain quarters, and certainly within the Bank, in the course of the seventies, claiming that the state, public ownership, and over-regulation were the main impediments to development, and that the liberation and promotion of markets was the key to the solution. In the early 1980s, when Ronald Reagan instructed the Bank that its task was to promote "the magic of the market" and when the debt crisis suddenly increased its leverage dramatically, the stage was set for policy lending to be used to promote a neoliberal agenda designed to promote a policy environment conducive to economic growth based on relatively deregulated markets and international capital flows.

**Structural Adjustment Policies and the Lost Decade of the 1980s**

In its new role as a vocal and powerful member of policy high tables around the world, the World Bank proceeded with a real sense of mission to promote adjustment lending as the 'good cop' complement to the IMF's austerity programs, easing the pain of that austerity to provide political cover for the 'roll-back' of the state that was the declared central objective of these policies (Pick and Tickell, 2002). In this context, most public funding was made conditional upon the acceptance of often far-reaching and risky market oriented policy reforms that heavily constrained – and sometimes eliminated – the capacity of developing countries to experiment with other (unorthodox) development models (Pender, 2001), or with the option of retaining less risky and more familiar administrative controls (Rodrik, 1990). Taken together, these neoliberal reforms encompassed all major policy areas, including: state restructuring, tax reform and fiscal austerity; privatization of state companies and assets; trade and financial liberalization; market oriented reforms of industrial and agricultural policies; labor market deregulation; and currency devaluation.

From the outset, these reforms were widely criticized as ideologically inspired attempts to use the leverage conferred on the IFIs by a debt crisis that they had clearly helped to bring about by encouraging and promoting financial flows that had become increasingly speculative as the 1970s drew to a close.[2] And there were good reasons for skepticism since there was so little evidence to support the claims being made on behalf of these reforms (Bienefeld, 1983), as acknowledged in subsequent IFI studies charged with the task of summarizing that evidence (Khan and Knight, 1985; Heller et al, 1988; see also Bienefeld, 2000).

And that skepticism was further reinforced when, in the course of the 1980s, the IFIs responded to accumulating negative evidence by producing studies whose 'positive' conclusions about structural adjustment were either at odds with the evidence that they themselves had presented (World Bank, 1986); were explicitly based on axiomatic assumptions in the acknowledged absence of positive empirical support (Heller et al, 1988); or were built on indefensible, and in some cases clearly tendentious, statistical methods (World Bank, 1987; Bienefeld, 2000). However, as that decade drew to a close reality was catching up with the IFIs since it became increasingly clear that these policies were not sustainable in their current form. Not only were these policies fuelling intense political opposition around the world (Peck and Tickell, 2002), but they were not dealing with the basic economic imbalances that had triggered the crisis in the first place. Indeed, by 1986 the World Bank itself had concluded that most developing countries undergoing structural adjustment were not "growing out of debt" (World Bank, 1986).

However, to understand the meaning of those reforms it is important to understand them as part of a much broader and ultimately quite radical reconfiguration of the global economy. In essence, the lost development decade was brought to an end by a new wave of international finance not unlike that of the seventies, except that this time the emphasis was mainly on DFI (Direct Foreign Investment) and the geographical focus was even more firmly centered on Asia, and eventually on China. As before, this flood of finance generated growth, fuelled financial instability, allowed ever large international imbalances to be financed, created enormous amounts of excess capacity and gave rise to an ever more complex, opaque and dangerous web of debt obligations. Of course, during the boom phase of this process those underlying contradictions were all too easily ignored – or denied – and the resulting prosperity, shallow though it often was, allowed the nascent neoliberal reforms of the structural adjustment era to be deepened and formalized through the successful creation of a powerful World Trade Organization (WTO), supplemented by far reaching international sectoral agreements – in telecommunications and finance among others – and then by a proliferating mass of bilateral trade and investment agreements. Having recently been emerging from under the shadow of the lost development decade, most developing countries were more easily persuaded to enter such binding agreements under these buoyant circumstances. Just as in the industrial world – and especially in the US and the UK – the spectacular growth of the finance and service economy made it easier to dismantle the industrial foundations on which these economies, and societies, had once been based.

The door to this new world was opened in 1989 when a newly elected US administration made it clear that the only way to address the sovereign debt crisis was to encourage the banks to engage in 'voluntary' debt-reduction schemes. Until then, the IFIs had made structural adjustment lending conditional on all debts being repayable in full,[3] a demand that was both unwise – since it dramatically reduced the chances of any country being able to achieve successful adjustment at a politically acceptable cost – and unethical – since it implied quite disingenuously that lenders bore no responsibility for the debt crisis (Bienefeld, 1988; Sachs, 1982). By setting aside this constraint, the US government was thus potentially opening the door to a new round of accumulation. And, as it turned out, the commercial banks were now ready to accept this challenge because it had become clear that most debts could not be repaid in full; because many countries had introduced extensive market oriented reforms over the previous decade; because the banks had strengthened their balance sheets, often with government help, over that same decade; and because the promised “new money”, from both commercial banks and IFIs, would require recipients to “implement market reforms.” The fact that this critically important initiative came from the US government speaks to the close links between it and the IFIs. And the fact that market reform remained the only explicit condition for participation in this process suggests that the fundamental objective of structural adjustment was clearly to remain central. The modalities would change, not the objectives; and hence the IFIs were clearly assigned a facilitating role, namely that of restoring developing country access to the commercial flows of finance that are now firmly expected to take the lead in financing development.

By 1996 an article in the right wing Cato Journal was celebrating the success of this new strategy, both in terms of growth and in terms of accelerated reform:

> Since 1989, Latin American nations (the main targets of the plan) have moved aggressively toward the free market, introducing far-ranging reforms, and have begun attracting impressive levels of finance again from the international capital markets. Many analysts believe that in a number of important countries the debt problems of the 1980s have been overcome; debt remains, but it is manageable under the dramatically changed conditions of the early to mid-1990s (Vasquez 1996).

Unfortunately the people surviving in Latin America’s growing *favelas* did not share the Cato Institute’s enthusiasm. Indeed, for many, life had become even harder as more and more of the labour force was absorbed in hyper-competitive informal sectors existing in the nooks and crannies of a formal economy constantly buffeted by volatile exchange rates, interest rates, commodity prices and capital flows and, over time, increasingly – if indirectly – exposed to competitive pressures from Asia’s awakening giants and from corporate giants translating political and economic power into economic rents.

For the IFIs this new world would eventually imply a shift in roles and priorities. With commercial capital flowing again, with foreign firms becoming ever more powerful actors within increasingly market oriented economies, and with countries increasingly integrated into formal international regulatory structures, their focus would inevitably shift away from "demanding market reforms" towards "facilitating market reforms" and protecting their political legitimacy. Had the neoliberal dream been realistic, meaning had this new era really brought steady and widespread progress and prosperity, the IFIs could henceforth have kept a low profile, backstopping stable governments on those occasions when they are faced with sudden shocks or disruptions. Or maybe like the neo-conservatives dreaming of a hero's welcome in Iraq, some may have dreamed of one day receiving the warm accolades of a grateful population, thankful for the gift of peace and prosperity. Unfortunately that has not turned out to be their fate because the neoliberal dream is rarely realized, and often volatile and unreliable.

**Broadening Neoliberal Adjustments and the Decade of the 1990s**

As the IFIs entered the decade of the 1990s, they were carrying the baggage of the eighties, mainly in the shape of an albatross called "structural adjustment," which they would soon be looking to jettison. Ironically, in trying to get out from under its shadow, the IFIs occasionally ended up validating some of the strongest critiques against them as when the authors of the only comprehensive internal review of structural adjustment welcome certain proposed changes on the grounds that they would lead the Bank to "go beyond textbook economics" in its structural adjustment work (World Bank, 1986).

As the nineties unfolded, the Bank actively sought to develop a more nuanced and less ideological stance on a number of critically important issues. Accordingly more attention was paid to the need: to protect vulnerable populations from transition costs that had often turned out to be unexpectedly steep and persistent; and to recognize the important role played by states in the successful development of South Korea and Taiwan (World Bank, 1993), an issue that would later become the central theme of the 1997 World Development Report (World Bank, 1997). But as the nineties progressed, it was the growing public and political opposition to IFI policies, as epitomized in the IMF food riots, that led the IFIs to work more actively with client governments to defuse such pressures by increasingly including ameliorative elements like Social Investment Funds in their policy packages. And while this certainly did not mean that the basic market empowering policy framework was being abandoned, it did indicate a growing understanding that the sustainability of the neoliberal project would require careful political management and that, in the longer run, “well functioning markets” might require stronger institutional supports than had originally been assumed. And that, in turn, will clearly depend on the political pressure that different constituencies can bring to bear.

Therefore, under the circumstances of the late nineties, the official neoliberal development policy debate showed increasing concern for the institutional and social foundations that must be in place to support a successful market economy. The so-called ‘second generation’ of market reforms was meant to address this challenge by building more effective social institutions that can mediate the conflicts engendered by neoliberal restructuring, thereby giving neoliberalism a “human face” – or mask (Pastor and Wise, 1999, Taylor, 2005). Drawing on some of Joseph Stiglitz’s ideas regarding the need to exercise caution when applying economic principles to an inherently imperfect real world (Stiglitz, 1998), the Bank therefore appeared to embrace the idea of a more interventionist state responsible for creating a regulatory environment that is both market-enabling and market-friendly.

In fact, the Bank’s 1997 World Development Report (WDR) had caused a considerable stir in the development community by acknowledging that interventionist states had often played an important positive role in development and that the Bank had tended to neglect this fact in the past (World Bank, 1997). However, some skepticism is warranted regarding the substance of this alleged Bank conversion: first, because Stiglitz was forced out of the Bank just when it was allegedly adopting his ideas. And second, because the 1997 WDR’s discovery of the interventionist potential of the state was cleverly twisted to leave the Bank’s policies on downsizing essentially unchanged. According to this report, the state’s interventionist potential can only be realized once it has developed the necessary (largely unspecified) capacities; and the best way for a weak developing state to do this is for it first to downsize to bring its responsibilities into line with its limited capabilities. The resulting growth and development would produce a state with the required capabilities, which that state "might" then be justified in using for the public good. Needless to say, the question of how – or why – downsized weak states operating in a competitive neoliberal environment usually dominated by powerful foreign corporations and financial interests would develop the skills to implement effective interventionist development policies were not addressed by the report.

This more pragmatic IFI approach of the decade of the 1990s has been aptly described as the roll-out phase of neoliberalism (Peck and Tickell, 2002), and is said to pay some attention to: market-completing measures, i.e. reforms that buttress the market or correct for market failure, such as antitrust legislation, competition policy, and labor market deregulation (conveniently forgetting that trade unions exist to correct for another kind of market failure); measures like Social Investment Funds to deal with inequality and the impact on vulnerable groups; and good governance reforms, including the creation of a more professional civil service, judicial reform, clarifications and strengthening of property rights, together with more sound institutional rules in the areas of finance, education, justice and public administration (Pastor and Wise, 1999). On the other hand, a close reading of this list would reveal that every one of these so-called 'new concerns' could already be found in many, if not most, earlier structural adjustment programs; though that leaves the possibility that they are now taken somewhat more seriously.

However, these modified neoliberal policies of the 1990s were unable to deal with the deepening problems afflicting large parts of the developing world, or the growing hostility to the IFIs. Indeed as the Millennium drew to a close the IFIs faced a deepening legitimacy crisis. There were even calls for their abolition amidst the continuing critiques of their policies which were no longer just coming from critical social movements in civil society, but also from mainstream academics, senior members of their own staffs and, increasingly, from governments in the developing world (Ruckert, 2007). Added to the empirical evidence showing that SAPs had broadly failed to achieve even their own narrowly focused economic goals of reducing debts, restoring external balances and reviving growth and development

(Bienefeld, 2000; Weisbrot *et al*, 2000), there was an accumulation of new evidence dealing with their frequently devastating social impact, including that collected by a major international study group that had been established by the Bank itself for this specific purpose (SAPRIN, 2004).

## The New Millennium and the Emergence of the PRSP Approach

This was the context in which the IFIs finally announced a new development approach that would ostensibly address the acknowledged shortcomings of their neoliberal adjustment policies under the leadership of James Wolfensohn, World Bank president since 1995, and Joseph Stiglitz, Chief Economist from 1997 until 2000. The first step was taken in 1999 with the adoption of a new Comprehensive Development Framework (CDF) which promised a more holistic, less economistic approach to development, while emphasizing that development cooperation must be transparent and accountable, results-oriented, realistic in its time horizon, driven by the needs of the borrower, and focused on poverty reduction (Ruckert, 2006).

Subsequently, this framework would provide the foundation for the introduction of the PRSP approach, which was meant to break with the heavy-handed interventions and extensive neoliberal conditionalities that had dominated World Bank lending since the inception of SAPs. PRSPs were ostensibly introduced as a means to put recipients in charge of the elaboration of development and poverty reduction strategies best suited to their particular needs. With country ownership, civil society participation, and the streamlining of conditionality enshrined as key principles in this new approach, PRSPs quickly became the leading policy tool through which to coordinate the international community's aid disbursements. Currently more than 60 developing countries have already implemented, or are currently in the process of developing a PRSP.

A decade into the operation of this new framework, the articles in this collection seek to make a contribution to the extensive discussion of the true meaning and significance of this attempt of the World Bank to reinvent itself in the new millennium. Not surprisingly, judgments have differed quite dramatically. On one side, there are observers who have concluded that these reforms have led to a significant transformation in the relationship between creditor agencies and donor countries, from one of dominant donors imposing conditions on reluctant recipients, to one of 'aid partnership' based on mutuality and trust (Booth, 2003); describing the result as "the most participatory policy exercise yet undertaken" (Thornton and Cox, 2005: 25) or "new wine in new bottles" (Seshamani, 2005: 5), or celebrating its "great potential for strengthening democracy in countries where people generally have very few means of making themselves heard" (Cling et al, 2003: 2).

On the other hand, critical observers have concluded that these changes were more apparent than real, signifying no significant departure from the ideologically driven neoliberalism of the SAPs (Eurodad, 2007; Tan, 2005; Weber 2004; Cammack 2004). In part, these differences stem from the fact that those who focus on the policy process are more likely to see significant change than those who focus on policy outcomes. And from the perspective of the IFIs, that is basically as it should be since they have continued to insist that the 'sound macroeconomic policies' that they have been advocating since before the structural adjustment era began, remain defensible – and desirable, a position the IFIs are still upholding even in the aftermath of the global financial crisis (World Bank 2009a). Indeed, in setting out the PRSP process, the World Bank had made it quite clear that while governments, and their civil society organizations, were to be responsible for drafting PRSPs, these would eventually have to be approved by the Bank. And one key criterion for their acceptability would be whether they were consistent with the Bank's conception of 'sound economic policy' which, in this context, is simply shorthand for the economic policies at the heart of its SAPs.[4]

In this sense, it is clear that the IFIs never intended their move to PRSPs, or their new emphasis on poverty, governance and civil society, to provide an opportunity to open up the question of how to define 'sound economic policies.' Clearly in their mind, that was still to be taken as given, or at least, to be defined by the IFIs in the last instance. Hence, the fact that PRSP driven processes are generating policies that are not substantially different from those of the SAP era is not seen as a problem by those who see the world as they do. Indeed, it is a sign of success, indicating that when countries, and people, are given the chance to choose the policies best suited to their circumstances they end up validating those allegedly discredited SAP policies by the choices that they make. And this is clearly the outcome that the IFIs had hoped for, and intended, whenever they declared, as they often did, that the main value of these more participatory policy processes lay in their ability to ‘increase economic literacy’ and, hence, acceptance of these sometimes painful, but ultimately necessary policy reforms (World Bank, 2001).

For critics who believe that the problem with SAPs was ultimately rooted in the unsuitability of those ‘sound macroeconomic policies’ themselves (Krugman, 1995; Stiglitz, 1998; Bienefeld, 2000; SAPRIN, 2004), the World Bank’s end of the millennium makeover was therefore always, and quite rightly, seen as superficial and disingenuous; an effort to ensure the sustainability of their neoliberal policy agenda by managing its political contradictions more effectively (*e.g.* Ruckert, 2007; Taylor, 2005). Of course, since the IFIs had been very explicit in stating that its sound economic policies were not up for discussion, this was not so much a discovery, as an observation, albeit an important one which drew attention to the limited objectives of the makeover. When looking at the results of the shift to PRSPs from such a critical perspective, the fact that policy outcomes have not changed much does not, therefore, come as a surprise, though it is nevertheless an important observation. The real question is whether, or rather to what degree, these efforts are likely to succeed in managing the political challenges of sustained neoliberal reform. And this will ultimately turn on three issues: the real economic and social outcomes, the plausibility and transparency of the participatory processes, and the scope and availability of feasible alternative policy choices.

Looking at the global economy as a whole over the decade since PRSPs became the standard *modus operandi* of the aid institutions, one could say that in the years leading up to the global crisis of 2007 these objectives were probably being met in most of Asia, largely because outcomes continued to be relatively more favourable, in part because policy reforms had been undertaken more cautiously and pragmatically. However, in most of the rest of the developing world, things were not going well, with large parts of Latin and Central America becoming increasingly openly disaffected with the neoliberal straitjacket

(Macdonald and Ruckert, 2009). And there can be no doubt that the global crisis has sharply intensified those tensions, so that even in Asia there is an increasing awareness of the need not only to challenge the definition of 'sound economic policy,' but also to work towards global reforms that allow greater scope for a wider range of more unorthodox and more pragmatic policy choices (UNCTAD, 2007). Indeed, old certainties have been significantly undermined by that crisis, as the world seems to be holding its breath, knowing that global economic and political power has shifted fundamentally but not knowing to whom, while fearing that the next crisis may not be far off. One might say that this is not an environment in which the IFIs are likely to succeed in managing the political tensions associated with the consolidation and deepening of their neoliberal reforms.

As powerful as these global developments may be, their impact will ultimately also be shaped by the particularities of each region, each nation, and each locality. That is why the papers that follow provide a vitally important complement to one's understanding of that global trajectory. In each case, they examine the PRSP era in a particular context, reflecting on its strengths and weaknesses and thereby deepening our understanding of the process as a whole. In examining PRSP processes in a number of countries, the papers that follow ultimately lend varying degrees of support to four propositions: first, since they are clearly designed to consolidate neoliberal reforms, the ostensible desire of PRSPs to emphasize 'country ownership' and participation in the political process is fundamentally compromised because success depends on the 'happy coincidence' that these processes will happen to produce outcomes that are compatible with this rather far-reaching precondition; second, in practice the management of the PRSP process is therefore constantly and unnecessarily concerned with the need to achieve that happy coincidence, but this 'manipulation' of the participatory process constantly threatens to undermine the objective of securing the political legitimation of these policies; third, by restricting policy choices in the way that they do, these processes may both block the adoption of policies that could underwrite a successful long-term development strategy while, at the same time, fostering the development of political movements demanding more far-reaching and radical change; and finally, because they do not address the policies that are at the root of the problem, their impact on poverty will tend to be limited by the fact that poverty related measures will focus on relatively cumbersome and expensive targeted transfer programs that will only very rarely be able to deal with the underlying competitive and speculative forces that are actively undermining the creation of stable, well paid jobs in most countries.

**Outline of Articles**

The first paper in this collection by *Paul Cammack* provides a new materialist interpretation of the Bank's PRSP approach, arguing forcefully against those who suggest that this approach reveals a new ethical or moral dimension of the international financial institution's agenda, or who see in it a meaningful retreat from the earlier neoliberal orthodoxy. Instead, Cammack argues that there has been no significant change in either the salience of poverty reduction, or the broad strategy through which it is to be achieved. Instead, Cammack understands the PRSP approach to be part of the universal project whose logic is that of a 'universal convergence on competitiveness' and whose goal is the full development of capitalism on a genuinely global scale by means of a comprehensive set of policies to transform social relations and to maximise competition within and between states, while producing workers properly equipped with the human capital that is required by market societies.

The article by *Arne Ruckert* assesses the impact of poverty reduction strategies in Nicaragua, Honduras, and Bolivia and shows that despite their strong emphasis on various relatively innovative programs, especially the conditional cash transfer programs (CCTs) that have become so popular throughout Latin America, there is overall little evidence of poverty reduction. Nor is there evidence that these programs are allowing the underlying neoliberal reforms to be politically legitimated. Indeed, because their implementation requires the process of political participation to be so transparently managed, there are reasons to believe that, as an unintended consequence, these programs may eventually foster the growth of the more strident political demands for deep reform that these policies were designed to prevent. Ultimately the article shows that, far from promoting genuine national ownership of policy reform, these new policies have led to deeper and more intrusive forms of intervention, combining the macro-structural elements of disciplinary neoliberalism with various micro-political policing tools for regulating and monitoring the behavior of the poor.

Similar conclusions emerge from *Gordon Crawford* and *Abdul-Gafaru Abdulai's* discussion of the good governance reforms at the centre of Ghana's poverty reduction strategies (GPRS I & II). The Ghanaian case is especially significant because it is widely hailed as one of PRSP's great success stories. Focusing on the priority areas of security and the rule of law, public sector reform, decentralisation, and civil society participation, Crawford and Abdulai confirm that the PRSP governance agenda is clearly part of an ongoing effort to embed and consolidate neoliberal hegemony by transforming the state and the public sector into instruments that focus primarily on serving the interests of private actors in the marketplace. Ultimately they show that the GPRS fosters a state that has limited jurisdiction and is largely subordinated to the market, that is openly hostile to intervention aimed at controlling or regulating business in order to protect labour or to promote long-term national interests, but far less reluctant to use public power of public funds to stimulate, promote and protect private sector interests, or the interests of capital. The hopes invested in PRSPs by the IFIs are thus unlikely to be fulfilled in that the political management of neoliberalism will pose continuing, and probably mounting, challenges.

*Isaline Bergamaschi*'s detailed analysis of Mali's Poverty Reduction Strategy Paper (PRSP) also highlights the fact that this new strategy represents an even deeper and more pervasive form of intervention, formally in the interests of creating a more rational and effective neoliberal state. However, in this case the focus is on some of the reasons why these efforts are also likely to fail. Central to the paper is the observation that although the shift to aid disbursements in the form of GBS (general budget support) is supposedly an indication that states are being given responsibility, real 'ownership' of policies has not been forthcoming. Since donor agencies are still accountable for the way in which "their funds" are used, they have devised a Byzantine process of accountability that monitors the government's performance in a multiplicity of ways and makes future aid disbursements, on which the government is heavily dependent, conditional on the results. Although this would seem to make a mockery of the claim that the government now has ownership of its policies, the truth is that the government does retain significant room for maneuver – for good or ill – because the monitoring is based on a matrix of diverse, and deeply problematic, quantitative indicators whose construction and meaning are sufficiently ambiguous to allow all sides a lot of leeway in their behaviour, at the same time as they allow almost any eventual outcomes to be reconciled with those proliferating demands for accountability. The result is a recipe for future trouble since the IFIs do not achieve the control over policy to which they aspire, while the government retains the ability to bend the rules to its advantage but within a fundamentally irrational policy process that would not allow it to use that leeway to implement a coherent alternative to the neoliberal development strategy.

Interestingly, *Ben Thirkell-White's* paper reaches a similar conclusion despite the fact that it deals with Indonesia, a far stronger and more successful economy that chose to follow the PRSP process even though it is not eligible for concessional finance through the International Development Association (IDA) and is therefore not formally required to do so. However, it has not only failed to reignite pro-poor economic growth through the PRSP, but has also become enmeshed in a deeply divisive and fragmented political – and policy – process that is undermining the chances of the emergence of a national political coalition that would – and could – support the kind of development strategy that could eventually promise to transform the lives of the poor, namely one that set out to lay the national industrial and technological foundations for a high wage society. In the meantime, the simple encouragement of political participation by any and all interest groups, including an increasingly strong set of foreign interests, within a relatively unstable and unproductive economy is not achieving even the narrow objective of legitimating the neoliberal policy regime.

The final paper by *Kate Bedford* focuses on the ways in which the International Finance Corporation (IFC), the World Bank's private sector lending arm, has incorporated gender into its Doing Business initiative in an effort to strengthen the voice of business, and of women in business, in the civil society that is to be empowered under this new approach. Doing Business essentially celebrates and fosters deregulation and the promotion of business friendly policies and Bedford shows how the incorporation of gender into this initiative helps to promote neoliberal reform by emphasizing the urgent need for labor market deregulation. Moreover, she notes that in the process the Bank is effectively operationalizing 'market feminism' as a political and legal project and suggests that this constitutes a reincorporation of the social, and of gender, into the debate, thereby opening up a potentially important site for GAD action in the future. On balance, Bedford notes that this raises new possibilities, as well as new limitations, in the Bank's approach to gender, and hence provides a good indication of where the Bank might be heading in the post-Wolfensohn era.

While individual articles in this collection emphasize, and illustrate, a diversity of detailed policy challenges and outcomes, they all ultimately lend support to the hypothesis that 'the decade of poverty reform' has been about consolidating and deepening the neoliberal reform agenda, moving beyond the initial 'roll-back' of states to a much broader approach that seeks to promote institutions, political processes, and ameliorative policies to manage the political economy of sustained neoliberalism. And while country ownership and civil society participation are central rhetorical pillars of this new strategy, it is clear that developing countries are not being empowered as agents of their own destiny, so much as being invited to take responsibility for a pre-determined agenda under difficult circumstances.

**The Global Crisis and the 'New' Reform Agenda**

If the new reform agenda was triggered by the need to address the political repercussions of neoliberal reform, it is clear that this need was, in turn, triggered by the deeply disappointing social, economic and human results of those reforms.[5] After all, if neoliberal reform had lived up to its promises, political legitimation would have taken care of itself, as it did in places like Ireland and Iceland while their prosperity lasted. By the same token, the new reform agenda's capacity to deal with those political challenges would depend critically on the future rate and quality of economic growth. And in this regard, there was good news and bad news in the early years of the new millennium. The good news was that growth of output and trade were reasonably robust – though also very uneven. The bad news was that the quality of that growth was so poor in terms of its impact on employment, equality, stability and security that political tensions continued to rise, most markedly in Latin America, at the same time as many developing countries took advantage of this window of prosperity to reduce their dependence on IFI conditionality, and their vulnerability to volatile international capital flows, by accumulating large foreign exchange reserves and, in some cases, even discharging some of their IFI debts. But then came the worst global economic crisis since the 1930s Great Depression. To make matters worse, this crisis was clearly linked to earlier neoliberal reforms, especially in the sphere of finance.

As is often the case, the immediate impact of the crisis has been deeply contradictory. On one hand it has dramatically undermined the new reform agenda's hopes of allowing the neoliberal agenda to be consolidated with a few well targeted transfer payment schemes. On the other, it has once again dramatically increased the influence and leverage of the IFIs as increasingly vulnerable societies have been forced to turn to them in adversity. The question is to what end the IFIs will use their new-found influence when 'more of the same' is unlikely to be a feasible option. Indeed, there is suddenly a chance that neoliberal globalization could suffer some really significant reverses, though undoubtedly at great cost and with rather unpredictable consequences.

What is clear is that the scale of the challenges that are now posed is truly monumental. Enormous amounts of excess capacity stifle productive investment and invite divisive cut-throat competition in most industrial sectors, even as chronic labour surpluses proliferate, together with vast mountains of public and private sector debt, massive international economic imbalances, inconceivably large pools of liquidity and vast accumulations of toxic assets that have yet to be digested. All this in a world in which a complex, opaque and powerful international financial system continues to resist meaningful reform even as it uses the enormous quantities of bailout money that have been pumped into the system to avert its threatened collapse, to inflate new bubbles and to profit handsomely from the continuing turmoil. In this environment, the battle to consolidate neoliberal hegemony politically is even beginning to be lost in many developed countries, even though power remains securely in the hands of capital, and especially of finance capital, for the moment.

Meanwhile, despite some notable exceptions to be discussed later, the challenges facing most of the developing world are especially acute, not least because they enter this latest crisis: with economies that are far more chronically dependent on international markets, remittances and capital flows; with societies that are often deeply divided and, in many cases, exhausted by decades of painful reform; and with governments and bureaucracies that lack moral authority, resources and secure administrative capabilities having been both the authors, and the victims, of three decades of neoliberal reform. And yet they now have to deal with a devastating accumulation of critical problems: the World Bank has estimated that more than 50 million people have already been driven into extreme poverty since the crisis erupted in 2007; the United Nations is predicting a huge increase in malnourishment; and developing countries are expected to face financial shortfalls of between $350 and $635 billion in 2009, even as their economies are expected to recover more slowly than those of richer countries (Eurodad, 2009). Many are experiencing an investment squeeze, a decline in remittances and tourist receipts and quite possibly a new debt trap if they are forced to rely heavily on borrowed funds to avert economic collapse. In short many of these countries are now even more vulnerable than they were at the time of the Third World debt crisis that erupted in 1982 when Mexico's threatened default on their loans formally ushered in the era of structural adjustment. And hence they are also even more at the mercy of the IMF and the World Bank who have experienced a stunning comeback with the onset of the global financial crisis, after having been increasingly marginalized in the early years of the millennium. Suddenly they are once again seen as key agents in the resolution of the crisis.

And since the onset of the crisis both their resources and their loan disbursements have increased explosively, with further increases clearly anticipated. In fact in FY09 the World Bank has committed US$58.8 billion in support of countries hit by the global crisis, a 54 percent increase over the previous year, at the same time that it is promoting the creation of a conditionality-free Crisis Response Facility (CRF) that would allow it to extend further emergency loans to developing countries. Meanwhile, the IMF's callable capital has been tripled, from US$ 250 billion to US$ 750 billion, while it has been floating the idea of a two-year interest moratorium on its loans to low-income countries (Eurodad, 2009). On balance it is clear that the international community once again sees the need for these institutions to play a major role in dealing with this latest crisis. What is far less clear is how they are to use the power that they wield as a result.

The answer that will be given to this question will have an analytical, an ethical, and a political dimension. Before speculating on how those dimensions might combine to answer that question on this occasion, it is useful to look briefly at two earlier occasions when the international community acted to resolve debt crises that appeared to threaten global growth and prosperity. The first instance arose in 1947 when the war ravaged Western European economies were engulfed by a chronic balance of payments crisis triggered by rapid domestic growth not accompanied by a commensurate growth in their exports. Rather than subjecting these countries to the IMF's standard stabilization measures, basically austerity plus devaluation, the US responded with the Marshall Plan, which provided those countries with large quantities of largely unconditional grant finance that enabled them to continue to pursue rapid growth with rising real wages, thereby allowing much of the resulting output to be consumed domestically. In retrospect this decision was based on the political calculation that without growth and rising wages much of Western Europe might be lost to the rising threat of communism; on an ethical judgment that the hardships being endured by these societies were such as to warrant such assistance; and on the analytical judgment that the revival of those economies would eventually yield export markets and investment opportunities for the US economy, though it must also be mentioned that the US economy was in a position of extraordinary strength at the time. In any event, with the wisdom of hindsight one can say that this debt crisis was resolved successfully, its architects vindicated by history (James, 1996).

The second instance arose in 1982, when the Third World debt crisis led to structural adjustment lending which required full repayment of all debts, and was based on the application of those standard IMF stabilization measures, supplemented by some new finance in the form of highly conditional adjustment loans at commercial rates of interest, except in the case of IDA countries whose adjustment loans carried concessional rates. In this case, debtors had relatively little political leverage at a time when the main creditor countries were in the hands of newly elected and highly ideological neoliberal governments dealing with economies under considerable stress. Meanwhile, ethical concerns and analytical concerns were both resolved, at least rhetorically, by the neoliberal belief in the magic of the market. After all, according to this view of the world the 'tough love' that was to be administered by structural adjustment was exactly what the debtor countries needed, while concerns about economic viability were set aside because the efficiency gains that would result from the empowerment of markets would allow not only the new adjustment loans, but also the existing debts, to be serviced without major welfare losses. Of course, it was the eventual failure of these efforts that led to the political problems that were to be addressed by the modest IFI reforms introduced at the end of the nineties. But, just like the initial structural adjustment response to the debt crisis, these reforms were based on a totally unrealistic assessment of the problems that had accumulated by the late nineties. And even when the Bank-initiated SAPRIN exercise tried to draw the Bank's attention to the true depth of those problems, the IFIs chose to avert their eyes and continue the PRSP charade, pretending that the problems that existed were relatively minor transitional problems that could be fixed with a little stage managed participation and a lot of rhetoric about good governance and inclusion (SAPRIN, 2004). But by now, as the global crisis reconfigures the deep contours of the global economy, it is clear that this game is up. Some deeper thinking is in order.

Of course, it is not the thinking that is the problem, it is the power. In terms of thinking it is increasingly clear that some way has to be found to re-establish congruence between the economic and the political dimensions of reality since only then can markets be re-embedded within politically legitimated regulatory frameworks within which market forces can be managed in the public interest. Ironically the World Bank reforms of the late nineties actually point in this direction with their emphasis on policy ownership, but they do so in ways that are totally disingenuous since they leave power firmly in the hands of international finance, international corporations and international organizations.

And that is where power continues to reside for the time being. Indeed, as already noted, the crisis has increased the power of those who control international finance even though they were instrumental in creating it, a fact that has surely not escaped their attention. However, those who have been driving this process are approaching the point when business as usual will no longer serve to multiply their power and their wealth indefinitely into the future. How soon they will reach a watershed depends on the evolution of three simultaneous trends, each one now well established, each one dangerous and each fundamentally unpredictable.

The first trend relates to the reconfiguration of national power in the global system. While these balances are always shifting to a degree they have recently undergone radical, and probably irreversible, change. First because the disastrous era of US unilateral militarism ultimately achieved exactly the opposite of what its benighted neocon progenitors had intended. In other words, instead of demonstrating the efficacy of military power as a source of political power, it has demonstrated that in the absence of a plausible political framework, military power is an empty threat, infinitely destructive, to be sure, but also infinitely expensive and almost infinitely useless in terms of its capacity to build strong political allies. Even as the criminal war in Iraq recedes into tragic farce, the US military is being lured into the Afghan mountains to oblivion, further eroding the threat of that power while at the same time continuing to drain a treasury that is increasingly filled with toxic assets – in the form of unsalable US T-bills – issued by an impotent and discredited Federal Reserve.

Which takes us to the second trend, namely the shifting landscape of economic power, and here the US position is being eroded on almost every front as well. Although US economic power remains formidable, spiraling US debts and deficits, a beleaguered and weakened industrial base, and a bloated, expensive and increasingly discredited financial sector have hollowed out a once dominant economy and made it far more dependent on a volatile international economy, undermining its internal coherence in the process. It should be noted that these changes occurred over a long period of time and they have long been financed by large capital inflows, a form of semi-voluntary tribute to the financial center of the world. And in recent years, an increasing amount of that tribute had come from the developing world, as they had built up their foreign exchange reserves to buy a modicum of protection against financial blackmail from a global financial system that was awash with liquidity, obscured by complexity and only lightly and selectively regulated. And although the accumulation of these reserves imposed a heavy burden on those economies, when the global crisis erupted those countries that had taken these precautions suddenly found themselves in a relatively favourable position, and in the case of China, even a powerful one.

Taken together, the declining significance of military power and the reconfiguration of economic power, have naturally led to a reshaping of the global political map. And while this has many dimensions that go far beyond the remit of this paper, there is no doubt that the world has become more multipolar as reflected in the shift from the G8 to the G20 as the world's foremost consultative forum; and as reflected within the IMF and the World Bank, whose governance structures are being adjusted to lend more weight to the leading voices of the developing world, most especially China. On the other hand, while this change is much discussed, its significance will depend on the way in which these countries exercise their new found power, since it would be foolish to suppose, or to imply, that their positions would simply be determined by the fact of their being 'a developing country,' just as it would be foolish to accept the assumption that the positions taken by 'our' developed countries would always necessarily be dominated by the demands and interests of international finance and of neoliberal globalization.

Ultimately we can only hope that the increasingly deep and costly contradictions of neoliberal globalization will lead to political shifts in both developed and developing countries, that will lead them to support IFIs that not only accept, but promote, the need to rebuild a world in which international economic relations are conceived and constructed as relations between sovereign societies responsible for managing their economies in the public interest. And for this, power will have to be shifted back, out of the hands of international finance, and international corporations, and into the hands of politically constituted and legitimate representatives of people and societies. And such change cannot, and will not, emanate from the IFIs themselves. It will happen only if the citizens of their member states can wrest power from those who have confused corporate and financial interests with the public interest. And that will be a difficult and painful process, especially since crises make people more vulnerable and therefore all too often more susceptible to blackmail by wealth and power. But it is a challenge that must be met, since failure to do so will condemn the world to ever greater uncertainty and conflict. The writing is on the wall, it is for us, as citizens of responsible societies, to read it.

**Endnotes**

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2. See Bienefeld 1989 and 2000. In its 1989 World Development Report the World Bank itself somewhat acknowledged this.
3. Rescheduling of debt remained a possibility, however, especially through the Paris Club.
4. It is to be noted that the IFIs use this phrase interchangeably, sometimes to denote their neoliberal policy prescriptions – liberal trade and finance, sound money and free markets – and sometimes to denote 'the policies that produce macroeconomic stability and growth.' In doing so they obscure the fact that the real debate is about whether their neoliberal policy prescriptions actually produce those universally desired outcomes.
5. See SAPRIN 2004 for a devastating summary of those results, and World Bank 2001 for the Bank's extraordinarily feeble response. Given that the SAPRIN exercise was carried out by a large group of highly respected official and unofficial development institutions and practitioners that had been assembled by the Bank to work with it in undertaking a comprehensive assessment of the impact of its structural adjustment policies, their extraordinarily negative conclusions carry additional weight.

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