What the World Bank Means by Poverty Reduction

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ABSTRACT

Critics of the World Bank have variously attributed its proclaimed commitment to poverty reduction to empty rhetoric, hypocrisy, incompetence, confusion, or overload in the absence of a coherent agenda. This article argues that the commitment is genuine, but that it is not a first order goal: poverty reduction is an intended consequence of its principal objective, the transformation of social and governmental relations and institutions in the developing world in order to generalize and facilitate capitalist accumulation on a global scale, and build capitalist hegemony through the promotion of tightly controlled forms of 'participation' and 'ownership'. This objective has been pursued consistently since the mid-1990s, with Wolfensohn as Director and Stiglitz while Chief Economist playing leading roles. It has been reflected in particular in the HIPC (Heavily Indebted Poor Countries) Initiative, the Comprehensive Development Framework, and PRSPs (Poverty Reduction Strategy Papers) as means of governing low-income countries. Once the character of the project is understood, its limitations and contradictions become apparent, but at the same time many of the criticisms advanced are seen to underestimate its logic and coherence, and proposals for reform arising from them are shown to be naïve.

INTRODUCTION

In 1996 the IMF and the World Bank introduced the HIPC (Heavily Indebted Poor Countries) Debt Initiative, a programme aimed to provide debt relief against country commitments to reduce poverty and pursue economic reform. Since then poverty reduction has taken centre stage at the World Bank in particular. The central role accorded to it was institutionalized with the announcement of the Comprehensive Development Framework in January 1999, and the parallel reform of the HIPC Initiative in tandem with the introduction of Poverty Reduction Strategy Papers. As a result, countries seeking debt relief through the HIPC scheme must produce interim and full Poverty Reduction Strategy Papers (PRSPs) and negotiate approval for them from the Bank. Great emphasis is placed throughout the process on 'country ownership', the participation of civil society, and consultation with donor countries and NGOs. Over the same period the Bank has reformed its internal structures and changed the way in which it works with debtor countries and development partners. It now designates itself a 'Knowledge Bank', and places particular emphasis upon its expertise and its capacity to provide objective and disinterested policy advice directed towards the alleviation of poverty. The dream of 'a world free of poverty' headlines the Bank's mission statement, and is central to the image of itself it promotes (Granzow 2000; see also http://www.worldbank.org/ourdream). However, in spite of the lead given to indebted countries in the shaping of programmes, and the participation from an early stage of donor countries and NGOs, scepticism regarding the Bank's commitment to both poverty reduction and partnership is widespread. Critics characterize the conversion of the Bank to poverty reduction as confused and incomplete, denounce the largely market-oriented policies still advocated, and question the character and extent of country ownership and local participation, asserting that behind the rhetoric the Bank still keeps tight central control.

This article argues that the critics of the Bank have generally failed to grasp the logic underlying HIPC-related poverty reduction, and the consistency with which it has been developed over more than a decade. While the commitment to sustainable debt and poverty reduction is real, these are only secondary objectives. The principal objective, pursued since 1990, is the reform of social and governmental relations and institutions in order to facilitate capitalist exploitation and accumulation on a global scale. The World Bank has engaged the IMF in a joint strategic programme to this end, pursued internal reform in order to facilitate its implementation, and gained a considerable capacity to direct and coordinate the activities of other key development actors. There is a clear, consistent and comprehensive logic to the strategy, reflected not only in the broad outline of the approach, but also in the micro-level detail of the CDF-shaped HIPC/PRSP process as it operates on the ground. Once this logic is identified, some common criticisms which start from the assumption that poverty reduction *is* the principal objective of the strategy can be seen to be misdirected. This in turn has implications for the choices to be made by critics, NGOs and civil society in relation to modes of engagement with or opposition to 'poverty reduction' and the broader strategy behind it.

After reviewing the views of critics and would-be reformers of the Bank, the article describes the commitment of the Bank to 'poverty reduction' from 1990 onwards, and relates the Wolfensohn-Stiglitz project as it developed in the second half of the decade. It then traces the institutional and process-related reforms which it prompted, and illustrates the extent to which its logic now pervades the activity of the Bank down to country and local level, and has penetrated and transformed the complementary activity of the Bank's 'partners in development'. It concludes that when the Bank says 'poverty reduction' it means something serious, and considerably more than what most of its critics think it means.

CRITICS AND REFORMERS

As noted above, the proclaimed orientation of the World Bank towards poverty reduction, initiated in its current phase with the publication of the World Development Report *Poverty* in 1990 and accentuated since the mid-1990s, has been met with widespread scepticism. A recent collection concludes that the institution 'has lost its sense of focus and direction', and is stumbling along a 'dysfunctional path' (Pincus and Winters, 2002: 222, 226). The Bank is accused of operating 'well beyond its core areas of competence', and indiscriminately expanding its agenda to embrace social issues with which it is ill-equipped to deal (Pincus and Winters, 2002a: 3; see also Pincus 2001). Elsewhere, Kapur claims dismissively that 'James Wolfensohn, the World Bank's current president, has selectively committed the institution's resources to bankrolling the foreign-policy objectives of the world's advanced economies and enhancing his image' (Kapur, 2000: 45). Other critics reject the whole logic of debt relief on the grounds that it neither promotes reform nor reduces debt in the long term (Easterly 2002: 1678), argue that the agenda of neo-liberal reform and structural adjustment is still in place, as the Bank still advocates failed and incoherent policies of export-led growth and opposes policies of state-led development that have a record of proven success (Craig and Porter, 2003: 56-58), and denounce so-called 'country ownership' as a sham (Pender 2001). Ilon (2000) condemns sectoral work in the field of education for passing off support for global markets as support for the poor, while Klees renames the 'Knowledge Bank' the Monopoly Opinion Bank (or MOB), and denounces its prior commitment to neoliberal policies, and its closing down of open debate (Klees, 2002). Close observers of the Ugandan PRSP process (the first) assert that schemes for 'participation' are covert means of co-opting NGOs and civil society, that donors and international organizations engage selectively with governments, generally cultivating 'champions' in reshaped Central Banks and economic ministries; that spaces 'behind the scenes' where drafting takes place are closed to civil society participation and scrutiny; and that key elements of poverty reduction programmes are smuggled in outside the consultative process altogether (Brock et al., 2002: 7, 43, 48; Nyamugasira and Rowden, 2002). Theoretically-minded critics tend to see the Bank as lacking understanding as much as bent on malign purpose: Sender argues that 'the

Bank's commitment to neoclassical economic theory has prevented it from developing a conceptual framework that would enable it to understand the potential for growth and the dynamics of poverty in Sub-Saharan Africa at the end of the 1990s' (Sender, 2002: 185); Fine, Lapavitsas and Costas describe the new consensus as an 'inchoate current of thought' oblivious to such issues as social class and 'the generation of economic surplus, its division among classes and its utilisation for consumption and investment' (Fine, Lapavitsas and Costas, 2001: xii, xiv); and Fine sees the Bank's addition of a concern with 'social capital' to its core economic analysis as 'a remarkable reflection, not resolution, of its failure to understand the economic as both social and capital' (Fine, 2002: 204; see also Fine 2001); Craig and Porter, who argue persuasively that 'both poverty reduction and social inclusion policy and strategy represent a refinement of the liberal political project, specifically a mode of ''inclusive'' liberalism, in which the disciplined inclusion of the poor and their places is a central task' (Craig and Porter, 2003: 54), still go on to argue that this approach not only 'understates and obscures not just the structures of global market power, local political economy and sectoral local economic opportunity' but 'also asserts a narrow, politically naive approach to governance that, as the Uganda case illustrates, contorts and limits local and national political scope and options' (ibid: 55).

While some critics simply condemn the Bank and all its works, most offer proposals for reform. Pincus and Winters call for a 'decentralized, more pluralistic Bank', urging the Bank to 'unbundle,' hiving off its 'bundled' activities to return to 'the tasks for which it was designed, namely making public sector loans to promote economic development', with separate institutions providing other functions so that 'the development success and the impact of development efforts would not longer be tied to the operational agenda of one powerful agency' (Pincus and Winters 2002: 23); Standing advocates the creation of a Socioeconomic Development and Adjustment Council within the UN (Standing, 2000: 751, 761-2); Klees argues that '[t]he advice function of The Bank (and other aid agencies) needs to be shut down altogether. The goal of a reformed Bank should be to encourage exchange, discussion, and debate, not to give advice and not to take a substantive position' (Klees, 2002: 460); in similar vein, Woods, an advocate of greater accountability and transparency within the Bank itself, presses it to follow its logic of 'participation' further: 'Rather than bringing in brilliant experts and economists to define, plan and monitor projects and policies, Bank officers need to become more adept at facilitating and coordinating thinkers, activists and decision-makers in borrowing countries' (Woods, 2000: 143-144). In a complementary fashion, a review of the PRSP process in Uganda urges non-governmental policy actors 'to reclaim from government and its donor partners the territory of participation, and make it more their own again' (Brock et al., 2002: 53). For the most part, the model that would-be reformers have in mind is a Bank that is a servant of autonomous countries, providing public goods without an agenda of its own.

This article argues that the new orientation of the Bank is far more coherent than its critics allow, and the degree of control it exerts is real, and central to its purpose. For the most part, critics of the Bank have judged it in the light progressive aspirations of their own, and failed to grasp its logic. In particular, they have failed to appreciate that behind the commitment to poverty reduction and even the commitment to economic growth is a consistent commitment to the *systematic transformation of social relations and institutions in the developing world, in order to generalize and facilitate capitalist accumulation on a global scale, and build specifically capitalist hegemony through the promotion of participation and ownership*. The commitment to such an all-encompassing project of global social and institutional reform may be over-ambitious. It is certainly essential to it that 'participation' should be channelled into forms supportive of the Bank's global project, that the 'operational agenda' of the Bank should prevail across all its activities, and that 'advice' on development strategies should be implemented, if necessary as a result of the leverage afforded by loans, rather than made available as one source among others from which governments might freely choose. This circumstance generates both the logic that pervades the project espoused by the Bank, and its fundamental contradiction – the simultaneous need for the policies adopted to fit within the strategic framework espoused by the Bank, and be freely chosen and owned by client governments.

POVERTY REDUCTION

The World Bank announced its renewed concern with poverty reduction with the 1990 World Development Report, *Poverty* (World Bank, 1990):

> The evidence in this Report suggests that rapid and politically sustainable progress on poverty has been achieved by pursuing a strategy that has two equally important elements. The first element is to promote the productive use of the poor's most abundant asset – labor. It calls for policies that harness market incentives, social and political institutions, infrastructure and technology to that end. The second is to provide basic social services to the poor. Primary health care, family planning, nutrition and primary education are especially important' (World Bank, 1990: 3).

The proposed programme embraced social and governmental relations and institutions from the start, and the two elements of the strategy were complementary: 'market incentives, social and political institutions, infrastructure and technology' were to be geared to extracting productive labour from the poor, while investment in 'primary health care, family planning, nutrition and primary education' would enhance and sustain the ability of the poor to deliver the productive labour required. At the same time, the Bank sought to deny aid to countries that were not 'serious about reducing poverty' (ibid: 137), having proposed at the outset that this approach 'should be regarded as applicable to the aid community as a whole. If the aid strategy outlined here were adopted and followed consistently by bilateral donors, nongovernmental organizations, and multinational agencies, its effectiveness would be greatly increased' (ibid: 4). In principle, then, the whole of the 'aid community' was to be drawn in to the strategy of global mobilization of the productive labour of the poor. The familiar neoliberal policy package of liberalization and privatization was central to the strategy, but it was *not* assumed that the state would consigned to a minimal role. On the contrary, as the 1991 World Development Report, *The Challenge of Development*, stated at the outset:

> markets cannot operate in a vacuum – they require a legal and regulatory framework that only governments can provide. And, at many other tasks, markets sometimes prove inadequate or fail altogether. That is why governments must, for example, invest in infrastructure and provide essential services to the poor. It is not a question of state or market: each has a large and irreplaceable role' (World Bank, 1991:1).

As the project took shape in the early 1990s, emphasis was placed on primary education, health, the environment and infrastructural investment. Throughout, the purpose was as defined in the 1991 Report: the provision of a stable macroeconomic framework that would win the confidence of the private sector; the creation of a competitive environment within which enterprise could flourish; the integration of economies into the global economy; and 'investment in people' to supplement the market in the areas of education, health, nutrition and family planning (World Bank, 1991: iii; Cammack, 2002b: 166-167). From the very start, too, it was envisaged that the macroeconomic foundation would be supported by microeconomic discipline:

> In reappraising their spending priorities, implementing tax reform, reforming the financial sector, privatizing state-owned enterprises, and using charges to recover the cost of some state-provided services, governments can meet the goals of microeconomic efficiency and macroeconomic stability at the same time' (World Bank, 1991: 9).

The majority of the world's poor were to be groomed as a future proletariat, but at the same time a minority (who would identify themselves by their response to changed incentive structures) would emerge as small farmers or entrepreneurs. I have argued elsewhere (Cammack 2001, 2002a, 2003) that this project can be understood from a classical Marxist perspective as promoting both 'primitive accumulation' – the historical process of divorcing producers from the means of production which produces both capital, and a proletariat – and 'capitalist accumulation' – the self-reproducing process driven by the extraction of surplus value which becomes possible once a capitalist class confronts a true proletariat, or a class obliged to sell its labour power (or capacity to work) to survive. The project can be seen as seeking 'the entanglement of all peoples in the net of the world market, and, with this, the growth in the international character of the capitalist regime' (Marx, 1976: 929). The implication of this analytic framework, which is to be judged like any other in terms of its explanatory power, is that the World Bank (along with the IMF) is seeking to develop a set of operating principles and practices for a competitive global capitalist economy and for individual states within it, and to promote and supervise their institutionalisation across the world. This project requires not a passive and minimalist but an active and pro-capitalist state (precisely the form of state the World Bank has advocated since 1990), and is consistent with a view of neo-liberalism as a reassertion of the laws of capitalist reproduction, a strategy to both hasten the process of primitive accumulation – or global proletarianization – and to enforce the laws of capitalist accumulation throughout the enlarged space of the capitalist world economy. On this view, the World Bank is consistently and unambiguously neoliberal in orientation, and its anti-poverty programme, far from being a shift away from the neoliberal revolution, it is a means to completing it. In other words, the Bank envisages, in its proposal to reduce absolute poverty by half from 1990 to 2015, an efficient global labour market in which the existing proletariat would 'float' easily in and out of work, and the 'latent' proletariat, whether displaced peasant producers or young women as yet beyond capital's reach, will be 'freed' and fully proletarianized. It also implicitly recognizes, in its targets for the reduction rather than the elimination of 'absolute poverty', that a third layer of the absolutely poor will continue to exist, as a reservoir for further workers, and source of discipline for the rest. In essence, it seeks to create a global reserve army of labour available at a wage of $1-2 per day, resting on a stratum of the absolutely poor with a cash income below a dollar a day (Cammack, 2001a: 194-198; 2002a: 126-127).

The analytical framework through which the Bank is advancing this project for global capitalist accumulation was in place by the mid-1990s. In particular, the 1994 Report, *Infrastructure for Development*, had laid down guidelines for competition and complementary public action in the provision of infrastructure, and significantly linked this agenda to strategies that could involve 'users and stakeholders' in provision:

> To promote more efficient and responsive service delivery, incentives need to be changed through commercial management, competition, and user involvement. Commercial management – including financial autonomy, accountability, and well-defined objectives – focuses providers of infrastructure services on increasing efficiency and meeting customer demand. Competition provides users with choices that can better meet their needs and compels providers to become more efficient and accountable. Involvement of users and other stakeholders in the design, operation, and maintenance of infrastructure is also key to better performance, particularly in areas where competition is constrained (World Bank 1994: iii).

At a sectoral level, the logic of the project was also reflected in a significant statement from 1995, *Priorities and Strategies for Education*, tied directly to the objective of promoting the productive use of labour. Billed as a synthesis of World Bank work on education since publication of the last sector policy paper in 1980, the report argued that education was critical for economic growth and poverty reduction: changing technology and economic reforms were creating dramatic shifts in the structure of economies, industries, and labour markets throughout the world, in turn creating two key priorities for education: to meet economies' growing demands for adaptable workers who can readily acquire new skills, and to support the continued expansion of knowledge. In this context:

> The World Bank's strategy for reducing poverty focuses on promoting the productive use of labor – the main asset of the poor – and providing basic social services to the poor. Investment in education contributes to the accumulation of human capital, which is essential for higher incomes and sustained economic growth. Education – especially basic (primary and lower-secondary) education – helps reduce poverty by increasing the productivity of the poor, by reducing fertility and improving health, and by equipping people with the skills they need to participate fully in the economy and in society. More generally, education helps strengthen civil

> institutions and build national capacity and good governance – critical elements in the implementation of sound economic and social policies. Basic education encompasses general skills such as language, science and mathematics, and communications that provide the foundation for further education and training. It also includes the development of attitudes necessary for the workplace. Academic and vocational skills are imparted at higher levels; on-the-job training and work-related continuing education update those skills (World Bank, 1995a).

At this point, then, the Bank knew very well what it meant by poverty reduction – the promotion of strategies that would increase the productivity of labour across the world – and it was consistent in its application of this core idea across different policy domains. However, it still lacked the means to implement the project effectively. The institution itself was not geared in organizational terms to pursue the proposed strategy, mechanisms for imposing the relevant policies throughout low and middle income countries were lacking, little had been done in practice to 'harness social and political institutions' to the goal of promoting the use of the poor's capacity to work, and barely a start had been made on the legitimization of the project in the eyes of client governments, let alone NGOs, civil society and populations. It would be Wolfensohn's brief to take these elements of the project forward, and the 'continued expansion of knowledge' or more accurately the positioning of the Bank as an authoritative source of development knowledge, would be crucial to it.

THE WOLFENSOHN/STIGLITZ PROJECT

Within fifteen months of arriving at the World Bank in June 1995, Wolfensohn had introduced and developed a four-point strategic programme: 'a new compact between donors, investors, and recipients to ensure that resources are sufficient to meet the needs of the world's poorest people and also to ensure that those resources are used efficiently and transparently'; 'a broader, more integrated approach to development, to ensure sustainability'; 'strengthening and expanding partnerships, both global and local'; and 'continuing to pursue change in the Bank's culture to focus on excellence and results' (Wolfensohn, 1996). From this point on the Bank would seek to coordinate its activities with other international institutions, engage with its critics and potential 'partners' in NGOs and civil society, and seek to increase its leverage over the policies and institutions of client governments through the reform its own organisation and the development of a comprehensive framework and the means to propagate it. The Bank would be a catalyst for resources for development, and a partner for private capital, with a principal remit of promoting domestic reform. As this was the context within which the HIPC Initiative was launched, and remains the framework within which the Bank operates, the strategic logic of this programme is of fundamental importance. Wolfensohn noted that 75 per cent of private capital flows went to just twelve developing countries while 50 of the poorest received none at all:

> Our new world of open markets raises the stakes for developing countries. Investment is linked to good policies and good governance – liberal trade regimes and high savings rates, combined with sound legal and judicial systems. Simply put, capital goes to those countries that get the fundamentals right. And we are working with our clients on those fundamentals' (ibid).

From this flowed a commitment to financial sector reform, the efficient management of public expenditure, accountability, transparency, and the elimination of corruption: first of all, poor countries were to be made hospitable to private capital. The 'broader, more integrated approach to development' was to be built on this foundation. At the same time, Wolfensohn identified 'social, cultural and institutional factors' as the key to the success of a broader approach focused on poverty reduction, arguing in relation to East Asia that 'it was those countries' strong institutions and social cohesion that enabled them to consistently choose sound macroeconomic policies, promote rural development, and make large investments in basic education and health'. The moral drawn was that 'without the social underpinnings, it is difficult for economic development to succeed – and virtually impossible for it to be sustained' (ibid):

> The lesson is clear: for economic advance, you need social advance – and without social development, economic development cannot take root. For the Bank, this means that we need to make sure that the programs and projects we support have adequate foundations: by designing more participatory country strategies and programs – reflecting discussions not only with governments, but also with community groups, NGOs and private businesses; by putting more emphasis on social, cultural, and institutional issues and their interplay with economic issues in our project and analytical work; and by learning more about how the changing dynamics between public institutions, markets, and civil society affect social and economic development' (ibid).

This perspective led directly to the proposal for a 'New Knowledge Partnership':

> The third item on the strategic agenda is partnership. We have made good headway over the past year. But today, I want to focus on a specific form of partnership that will take on special importance as we enter the new millennium – a partnership for creating and sharing knowledge, and making it a major driver of development. Development knowledge is part of the "global commons": it belongs to everyone, and everyone should benefit from it. But a global partnership is required to cultivate and disseminate it. The Bank Group's relationships with governments and institutions all over the world and our unique reservoir of development experience across sectors and countries, position us to play a leading role in this new global knowledge partnership. We have been in the business of researching and disseminating the lessons of development for a long time. But the revolution in information technology increases the potential value of these efforts by vastly extending their reach. To capture their potential, we need to invest in the necessary systems, in Washington and worldwide, that will enhance our ability to gather development information and experience, and share it with our clients. *We need to become, in effect, the Knowledge Bank*: by networking – pooling our wealth of cross-country experience, capturing the best global thinking and expertise on a given issue, and making it easily accessible to our clients and partners; by expanding the role of our Economic Development Institute, which already reaches thousands through its learning programs – and is well on its way to reaching millions by harnessing teleconferencing, television and the Internet; and by pioneering new partnerships that connect our clients with global centers of knowledge and investment; one example is our World wide Website, which is accessed 1.5 million times per month; another is the Information and Development Fund, through which the Bank and our partners help the poorest countries to realize the potential of information technology. Let me stress one other point: the global knowledge partnership is not about machines. It is about people. The challenge is to harness the technology to link people together and to leverage its impact for development. That means both accumulating the right kind of knowledge, and helping our clients build the capacity to use it (ibid, emphasis mine).

The 'New Partnership,' Wolfensohn concluded, required in turn a 'New Bank', with a culture of realism and results, 'reinvented to face the challenges of the 21st Century'(ibid). Here, then, set out in full in 1996, before the arrival of Stiglitz at the Bank, is a clear statement of the strategic framework within which the policy orientation developed over the previous five years would be taken forward.

Of course, the Bank's view of 'the right knowledge' is contestable, and widely contested. But this elementary observation does not take us to the heart of its project, as it captures neither its entire logic, nor its coherence. Wolfensohn's strategy proposes to promote from the World Bank a comprehensive set of social, cultural and institutional reforms which will create an environment for the sustainable reproduction of capitalism. Building on the foundations laid down from 1990 onwards it confirmed a framework within which the state was be restructured as a partner and support for private capital, guaranteeing the 'fundamentals' of macroeconomic stability, and the involvement of users and stakeholders at local level set was governed by the dominant logic of efficiency and competition. Above all, for the project to succeed, the poor had to be converted into a source of capitalist accumulation, by creating structures of incentives at the micro-level that complemented the macro-level fundamentals.

As it happened, Wolfensohn arrived at the World Bank in time to put his name to the foreword to the 1995 World Development Report, *Workers in a Changing World*. He noted at the outset that the vast majority of new workers in the global economy (the future global proletariat) would be in low and middle income countries, and identified 'reduced government intervention in markets' and 'the increased integration of trade, capital flows, and the exchange of information and technology', as trends that subjected workers to global competition:

> In such a climate of profound change, basic decisions about wages and working conditions are driven by global competitive pressures. The harsh reality of a global market is that policy failures are punished hard – through

> currency movements, shifts in market share, and, ultimately, through fluctuations in employment and wage levels (World Bank 1995b: iii).

There is of course a degree of dissimulation in the stance taken by the Bank here, as if it were a disinterested observer of these trends, rather than their principal architect at a global institutional level. The report in fact set out a blueprint for competitive labour markets and for trade unions able to support the production process and provide safety-net services for members (ibid: 74-83), and was followed by two further reports that set out the programme for the reform of social and political institutions essential to the Bank's project (Cammack 2001: 169-175). *From Plan to Market*, with its focus upon creating a legal framework that defined and enforced property rights and obliged capitalists to compete, described the comprehensive set of institutions needed to implement the logic of capitalist exploitation, competition and accumulation throughout all economic, social, political and cultural systems. It defined an institutional framework informed by the logic of economic liberalism, fleshing out in detail the familiar commitment to market-oriented laws enforced by market-oriented institutions, complemented at the micro level by market-oriented incentives (World Bank 1996: 88-109). The 1997 Report, *The State in a Changing World*, then addressed with absolute clarity the way in which the state should structure the relationship between macroeconomic discipline on the one hand, and decentralization and participation on the other: macroeconomic discipline was to be guaranteed by strong central control over policy and spending, and locked in place through international commitments and an independent central bank; discipline was to be spread through the system by building contracts and internal competition into direct public provision, and contracting out to private and non-governmental providers where possible; and strategies of decentralization and participation were to be embedded in this framework.

The appointment of Joseph Stiglitz as Chief Economist of the Bank in February 1997 reinforced the comprehensive reorientation that was already under way. Especially in the wake of his departure from the Bank, Stiglitz has been associated with the critique of the neoliberal orthodoxy of the IMF and 'Washington consensus', and recognition of the lessons of East Asian development (that the state can make a positive contribution to development in correcting market failure) and of the Asian crisis (that liberalisation of credit markets without adequate regulatory frameworks in place is destabilising). He has also championed transparency, civil society participation, and country ownership. Taken in isolation, these views seem to position him as an advocate of enhanced country and grass-roots input into development, and a progressive critic of heavy-handed theory-driven interventionism, especially as his self-promotion and strident public campaign against the IMF (Stiglitz, 2000: 3-6; 2003) present him as a radical proponent of reform. The critique of previous orthodoxy is real enough, as is the commitment to transparency, country ownership and participation. However, the context in which they are set is not one that aspires to renounce interventionism in favour of local control, but one that intends to move from the 'shallow interventionism' of technical prescription and project/programme conditionality to a 'deep interventionism' aimed at the fundamental transformation of society and institutions, with a concomitant 'strategic conditionality' intended ensure that 'country ownership' and 'participation' reinforce the strategic direction imposed by the Bank.

The position is clearly set out in his WIDER (January 1998) and Raul Prebisch (October 1998) lectures, which expand upon Wolfensohn's 1996 strategy statement. The assertion with which the WIDER lecture began, that '[m]aking markets work requires more than just low inflation; it requires sound financial regulation, competition policy, and policies to facilitate the transfer of technology and to encourage transparency, to cite some fundamental issues neglected by the Washington consensus' (Stiglitz, 1998a: 1), exactly reflected the strategy, as did the observation that 'in focusing on trade liberalization, deregulation, and privatization, policymakers ignored other important ingredients, most notably competition, that are required to make an effective market economy and which may be at least as important as the standard economic prescriptions in determining longterm economic success' (ibid: 5). Stiglitz went on to argue that wellfunctioning financial systems ‘do a very good job of selecting the most productive recipients’ for resources, and ensuring that those resources continue to be used productively (ibid: 12); they require transparency, a sound legal system, and oversight, which can be achieved only by medium and long-term strategy, not by short term fixes, and the state must ‘complement the market’: ‘trying to get government better focused on the fundamentals – economic policies, basic education, health, roads, law and order, environmental protection – is a vital step’ (ibid: 24). For this to happen, effective institutions are required. These should use markets and market-like mechanisms and ‘respond to the needs and interests of their citizens, while at the same time giving them a sense of ownership and stake in the policies’ (ibid: 28-29):

> At the microeconomic level, governments, aid agencies and non-governmental organizations have been experimenting with ways of providing decentralized support and encouraging community participation in the selection, design, and implementation of projects. … It is not just that localized information is brought to bear in a more effective way; but the commitment to the project leads to the long-term support (or “ownership” in the popular vernacular) which is required for sustainability (ibid: 29).

While covering some of the same ground again, the Prebisch lecture went on to present development as the ‘*transformation* of society’, and to assert that ‘[a]pproaching development from the perspective of transforming society has profound implications not only for what governments and aid agencies do, but how they proceed – how they engage, for instance, in participation and partnership’ (Stiglitz, 1998b: 3-4). Criticizing the adjustment policies of the 1980s for failing to ‘reach deep down into society’ (ibid: 7), Stiglitz charged the government with the ‘ambitious goal of encouraging *society-wide* transformation’ (ibid: 18). Change imposed from the outside will not work (19), as ownership and participation are essential (21):

> Outside agents, including donors, can encourage ownership through persuasion – that is, through presenting evidence, both theoretical and empirical, that particular strategies and policies are more likely to bring success than other approaches. But the degree of ownership is likely to be even greater when the strategies and policies are developed by those within the country itself, when the country itself is in the driver’s seat (ibid: 21).

However, being in the driver’s seat does not mean choosing the map or plotting the route: if the desired transformation of society is to be achieved, country ownership and popular participation must be embedded in and shaped by effective institutions and incentives:

> Indeed, one of the reasons for participation is so that policymakers can have a better understanding of what incentives are necessary. Institutions, incentives, participation, and ownership can be viewed as complementary; none on its own is sufficient. Participation and ownership are crucial .. and it is clear that the involvement of outsiders cannot take the place of this local leadership. Nevertheless, .. outsiders do have a role in facilitating the process, and assisting in the provision of knowledge’ (ibid: 22).

The success of the strategy proposed by the Bank depends upon the adoption by countries and endorsement by their populations of the map provided, and specifically, to depart from the metaphor, the institutionalization of the micro-level incentive structures that shape behaviour in ways conducive to the promotion of competition and capitalist accumulation. The ‘components of a new development strategy’ (ibid: 24-34), a preliminary statement of the Comprehensive Development Strategy introduced three months later in January 1999, are infused with this logic. Firstly, ‘a key objective is the creation of a strong, competitive, stable and efficient private sector’ (ibid: 24), to be achieved through the provision of a legal infrastructure, a regulatory framework, the government provision of infrastructure, and a stable macroeconomic framework, a stable and effective financial system, and ‘a strategy for the elimination of those distortions in the economy that interfere with the efficient deployment of resources’ (ibid: 25). Secondly, ‘if the private sector is to flourish, the environment must be conducive to private sector development. A key part of that environment is the quality of the labor force – an educated, healthy workforce is essential’ (ibid). Complementary strategies for the government, communities, families and individuals follow. ‘Comprehensive development strategies’ require not only resources, but also economic management able to ‘identify the most important distortions in the economy, and how they are to be addressed’ (ibid: 27). Thirdly,

> a development strategy needs to outline a strategy of knowledge management. The World Bank increasingly thinks along these lines, conceiving of itself as a knowledge bank, with one of its central tasks being to help countries to close the knowledge gap. It can provide the cross-country experience that, when melded with local knowledge, makes possible effective choices of development policies, programs, and projects (ibid: 28).

Finally, in all of this the long-term goal is to build institutions ('social and organizational capital'), and, for outsiders, to exert leverage in initiatives that can have multiplying effects.

In the WIDER and Prebisch Lectures, then, Stiglitz spelled out the world Bank's new approach to development. Less than a fortnight before the Prebisch lecture, Wolfensohn had used the occasion of his annual address to the Board of Governors of the World Bank to advocate the 'new development framework' (Wolfensohn, 1998). Detailed examination of the text reveals immediately the consonance of purpose between the Director of the Bank and his Chief Economist. Beginning with the now familiar argument that 'while the establishment of appropriate macroeconomic plans with effective fiscal and monetary policies is essential in every respect, financial plans alone are not sufficient,' Wolfensohn argued that the Bank should 'consider the financial, the institutional, and the social, together' (ibid: 5). This entailed a new division of labour between the IMF and the Bank:

> Our roles are clearly different. The Fund's mandate covers surveillance, exchange rate matters, balance of payments, growth-oriented stabilization policies and their related instruments. The Bank has a mandate for the composition and appropriateness of development programs and priorities, including structural and sectoral policies – and therefore, by building a sound basis for development, a responsibility for crisis prevention (ibid: 8).

This would in turn allow a 'new approach', based on a view of development as a total process:

> Too often we have been too narrow in our conception of the economic transformations that are required — while focusing on macroeconomic numbers, or on major reforms like privatization, we have ignored the basic institutional infrastructure, without which a market economy simply cannot function. Rather than incentives for wealth creation, there can be misplaced incentives for asset stripping. Too often we have focused too much on the economics, without a sufficient understanding of the social, the political, the environmental, and the cultural aspects of society. We have not thought adequately about the overall structure that is required in a country to allow it to develop in an integrated fashion into the type of economy that is chosen by its people and its leadership. We have not thought sufficiently about the vulnerabilities – those parts of an economy that can bring all the building blocks tumbling down. Or about sustainability – what it takes to make social and economic transformation last. Without that, we may build a new international financial architecture. But it will be a house built on sand (ibid: 11-12).

On this basis Wolfensohn laid out the elements of the new development framework: the essentials of good governance, the regulatory and institutional fundamentals essential to a workable market economy, policies (in education, health and social protection) to foster inclusion, public services and infrastructure necessary for communications and transport, strategies for rural and urban development, and objectives to ensure environmental and human sustainability (ibid: 13-14). Two further details confirmed the logic running through the programme as a whole: the insistence that the framework would be set 'within a supportive and effective macroeconomic plan and open trade relations', and the injunction that

> Ownership matters. Countries and their governments must be in the driver's seat, and, in our experience, the people must be consulted and involved. Participation matters — not only as a means of improving development effectiveness as we know from our recent studies, but as the key to long-term sustainability and to leverage (ibid: 14-15).

By 1998, then, all the elements of the Wolfensohn-Stiglitz project were in place. As it developed, it mobilized academic support, notably in a collection that had its origins in San Francisco in 1996, and matured through meetings at the World Bank in 1997, and in a UK Foreign and Commonwealth Office conference on 'The Future of the World Bank' on 24 June 1997 (Gilbert and Vines, 2000: xxii). Although the editors asserted at the outset that 'the Bank lacks a coherent vision, and .. as a consequence, it suffers from a dysfunctional proliferation of objectives' (Gilbert and Vines, 2000a: 10), this judgement prefaced the lengthy justification of the reorientation of the Bank as a Knowledge Bank. Gilbert and Vines urged the Bank to devote far less time to analysing loan proposals and outcomes, and far more 'to giving advice about development strategies and to providing help with their implementation' (Gilbert and Vines, 2000: 10), and set out in another substantial contribution with Powell (then the Chief Economist of the Central Bank of Argentina) a statement on 'positioning' the Bank that reflects the new consensus and provides the best extended guide to the logic behind it (Gilbert, Powell and Vines, 2001).

The conclusions to be drawn from this review of the emergence of the 'new consensus' at the World Bank, then, are that (i) it was pursued consistently from 1990 onwards, (ii) a key phase between 1996 and 1998 (the 'Wolfensohn-Stiglitz project') was principally concerned with providing an intellectual justification for it, canvassing support, and setting in motion the institutional changes through which it could be advanced, (iii) it explicitly subordinated country ownership and popular participation to a governing logic laid down by the Bank, (iv) the apparent paradox this reflected was to be resolved by constituting the Bank as a source of authoritative knowledge and devising incentive structures for countries and individuals that would promote 'voluntary' changes in behaviour, (v) the overt purpose of the project was to promote a transformation of society that would permit the development of social and governmental relations and institutions supportive of capitalist development, and (vi) it required sustained intervention by the Bank in the societies and institutions of its client countries.

THE POLITICS OF DEEP INTERVENTIONISM

The extent of the interventionism of the World Bank's new consensus was spelled out more clearly at the elite gathering of development economists sponsored by the University of Zagreb and the World Bank in May 1999 than in any of the public presentations reviewed above. Here, at the end of a forbiddingly technical paper, Stiglitz and co-author World Bank Research Economist Karla Hoff draw on public choice theory to set out a three-point theorem of irreversible change. First,

> Since the costs of interest-group formation are, to some extent at least, fixed costs, interventions that affect the dynamics of the political process – thereby affecting subsequent outcomes – can be thought of as deep interventions. They entail irreversibilities (Hoff and Stiglitz, 2001: 419).

Second,

> Deep interventions need to be distinguished from the shallow interventions that typically make up a part of "reform" packages in negotiations between borrower countries and international financial organizations (ibid).

Third,

> It is precisely because history matters that interventions can be effective in the long run. A perturbation to the system at one date can have permanent effects. … A particular set of circumstances in which history can matter is when there are multiple equilibria and an "historical shock "selects" the equilibrium. A large enough disturbance can move an economy in a direction that converges to a steady state equilibrium (ibid: 420).

In essence, the Wolfensohn-Stiglitz approach proposes to abandon 'economic shock therapy' in favour of 'institutional shock therapy'. With this in mind, this final section of the essay examines the extent to which its logic is successfully embedded in HIPC/PRSP and related initiatives.

Locking Poor Countries In: The HIPC/PRSP/CDF Framework

The Comprehensive Development Framework (Wolfensohn, 1999) is precisely what it says it is – a blueprint for a complete set of social and governmental relations and institutions, founded on macroeconomic discipline and extending across a range of economic and social policies without parallel in the depth and intensity of intervention they represent in the affairs of supposedly sovereign states. Presented as a vehicle for incorporating social and structural policies into an agenda previously dominated by macroeconomic policy alone, it is actually a means of shaping social and structural policies so that they reinforce and extend macroeconomic discipline, and subordinating them to imperatives of capitalist accumulation (Cammack, 2002c: 37). The Bank demands 'country ownership' both because it recognises that it lacks the means to enforce the strategy itself, and because the legitimation of its project vis-à-vis citizens around the world depends upon its adoption by national governments, which remain indispensable intermediaries in the project for global governance. The disciplinary character of the CDF is most clearly reflected in the mechanisms for surveillance embedded within it, and the attached Matrix, candidly described by Wolfensohn as a 'summary management tool' which 'will allow us to see quickly what is going on in a country from the point of view of structural and social development, and will also show us what is not going on' (Wolfensohn, 1999: 28). Announced in January 1999, the CDF became the basis for the 'enhancement' of the 1996 HIPC Initiative with the introduction of Poverty Reduction Strategy Papers in September 1999 (Development Committee, 1999). A review a year later of the first initiatives carried out within the scheme drew attention to the tension between 'country ownership' on the one hand, and the need for proposed policies to pass IMF/World Bank assessment on the other. With NGOs allegedly as keen as the international financial institutions to propose priorities for action, and countries often lacking the expertise to draw up policy proposals of the type required, the Bank had settled for 'guidance that does not breach the principle of ownership in the context of joint missions to discuss strategy formulation with governments', and undertaken to develop a 'PRSP Sourcebook' offering guidance on best practice, and to organise 'outreach and learning events'. PRSP countries might eventually own their policies, but they would not be their authors in practice, nor was it ever intended that they should be (Cammack, 2002c: 47-49).

Locking Communities In: The Politics of Participation

Critics who argue that the World Bank's advocacy of participation is a trap for the unwary are quite correct. However, it is a mistake to assume that the strategy has not been thought through. As noted above, the 1997 World Development Report set local participation in a disciplinary macroeconomic framework. Elsewhere in the Report it was explicit about the underlying logic: '[t]he message, here as elsewhere is that bringing government closer to the people will only be effective if it is part of a larger strategy for improving the institutional capability of the state' (World Bank, 1997: 111). This view flowed from the vision of the state as a 'partner, catalyst, and facilitator' rather than a direct provider (ibid: 1). This in turn entailed a need to redefine the state and re-educate the people

> Getting societies to accept a redefinition of the state's responsibilities will be one part of the solution. This will include strategic selection of the collective actions that states will try to promote, coupled with greater efforts to take the burden off the state, by involving citizens and communities in the delivery of collective goods (ibid: 3).

Further down the very same page, however, the policy was translated into the language of empowerment, restated as 'making the state more responsive to people's needs, bringing government closer to the people through broader participation and decentralization' (ibid). Within the project, the purpose of policies of decentralization and participation is threefold: to exert pressure on the state to deliver essential services efficiently, to share the cost of delivery with the 'beneficiaries' themselves, and to induce people to experience tightly controlled and carefully delimited forms of market-supporting activity as empowerment. As a consequence, participation can either improve or undermine the capacity of the state (ibid: 120), and good forms of local participation must be carefully distinguished from bad ones. 'Good' participation reinforces the efficiency and authority of the state, while 'bad' participation weakens it (ibid: 129; see Cammack, 2002b: 173-174). For the Bank, the interesting forms of localization are those where 'desire for local autonomy coincides with the central government's own interest in shedding expenditure responsibilities that exceed its fiscal capacity' (Yusuf and Stiglitz, 2001: 238).

Locking The Poor In: Opportunity, Empowerment and Security

The logic of the Wolfensohn-Stiglitz project is both to lock the poor into the market, replacing liberation from constraints on its operations with inescapable dependence upon it, and to present this 'locking in' as liberation. In a telling example of the consistency of the project over time, the 2000/2001 World Development Report, *Attacking Poverty*, returned to the advocacy of labour-intensive growth from 1990 and translated it into the new millennium buzzwords of opportunity, empowerment and security (World Bank, 2001: 33). On 'promoting opportunity' it argued that 'a business environment conducive to private investment and technological innovation is necessary, as is political and social stability to underpin public and private investment', and that 'markets are central to the lives of poor people' (ibid: 38). Where markets failed, however, and the state could no longer step in, the poor would have to shift for themselves. Basic social services and infrastructure were 'assets of the poor', but (echoing the logic of participation spelled out four years earlier) 'local service delivery, engaging poor people and communities, can have a powerful impact on effectiveness' (ibid: 38-39). The second theme, 'facilitating empowerment', reflected a similar logic, enlisting the poor as the first line of defence against 'rent-seeking' and other forms of corruption by representatives of the state, and political, legal and social barriers that limit access to sections of the potential working class. The World Bank advocates 'building administrative and regulatory capacity and reducing corruption', and challenging 'customary practices and discrimination on the basis of gender, ethnicity, race, religion, or social status' that hinder growth and development':

> [e]mpowerment means enhancing the capacity of poor people to influence the state institutions that affect their lives, by strengthening their participation in political processes and local decision-making. And it means removing the barriers -- political, legal, and social -- that work against particular groups and building the assets of poor people to enable them to engage effectively in markets. Expanding economic opportunities for poor people indeed contributes to their empowerment. But efforts are needed to make state and social institutions work in the interests of poor people -- to make them pro-poor (ibid: 39; see also 89-96).

Once again, the 'empowerment of the poor' serves the purposes of the neoliberal state, and links directly to the logic of participation. And when the Bank turns to its third 'pro-poor' theme, 'enhancing security', it makes it clear that security is to be enhanced so that risks can be taken in the market:

> Supporting the range of assets of poor people – human, natural, physical, financial, and social – can help them manage the risks they face. And supporting the institutions that help poor people manage risk can enable them to pursue the higher-risk, higher-return activities that can lift them out of poverty (ibid: 40).

The purpose behind 'risk management institutions' – health insurance, old age assistance and pensions, unemployment insurance, workfare programmes, social funds, microfinance programmes, and cash transfers – is to lock the poor into a permanent exposure to the risk of market dependence, by so calibrating those institutions that they propel the poor smartly back into the risk environment when they happen to fall out. In sum, the poor themselves are to act as vigilantes to enforce the disciplines which perfect and maintain their subordination to capital (Cammack, 2001a: 198-201).

CONCLUSION

I have described a World Bank-led project aimed at the systematic transformation of social relations and institutions in the developing world, in order to generalize and facilitate capitalist accumulation on a global scale, and build specifically capitalist hegemony through the promotion of participation and ownership of aspects of the project. Is this project pursued with consistency? The evidence from rural development policy advocated in Uganda and Nicaragua suggests that it is. The 2002 IMF/IDA Staff Assessment of Uganda's PRSP welcomes the prominence given by the government to the PMA (Plan for the Modernization of Agriculture), along with the

Medium-Term Competitiveness Strategy and the strategic exports initiative. And when it turns to the PMA, it calls for urgent progress on demand-led agricultural extension services and micro-credit, both intended to foster the development of a minority of entrepreneurial small farmers:

> Given the centrality of the PMA for achieving the Government's poverty eradication objectives, its implementation must be put on a more urgent footing. While staffs note that over the last year there has been progress in some areas covered by the PMA – notably the launch of the new National Agriculture Advisory Service (NAADS), a demand-driven approach to provision of agriculture extension services – the implementation of most aspects of the PMA remain at very early stages. As the Report acknowledges, this will imply moving forward quickly in putting in place the necessary institutional mechanisms, notably for the implementation of the Land Sector Strategic Plan and the rollout of NAADS. Similarly, while Government has a clear strategy of promoting micro-finance in rural areas through an outreach program, the implementation of this program has not yet begun (IMF/IDA, 2002: 7).

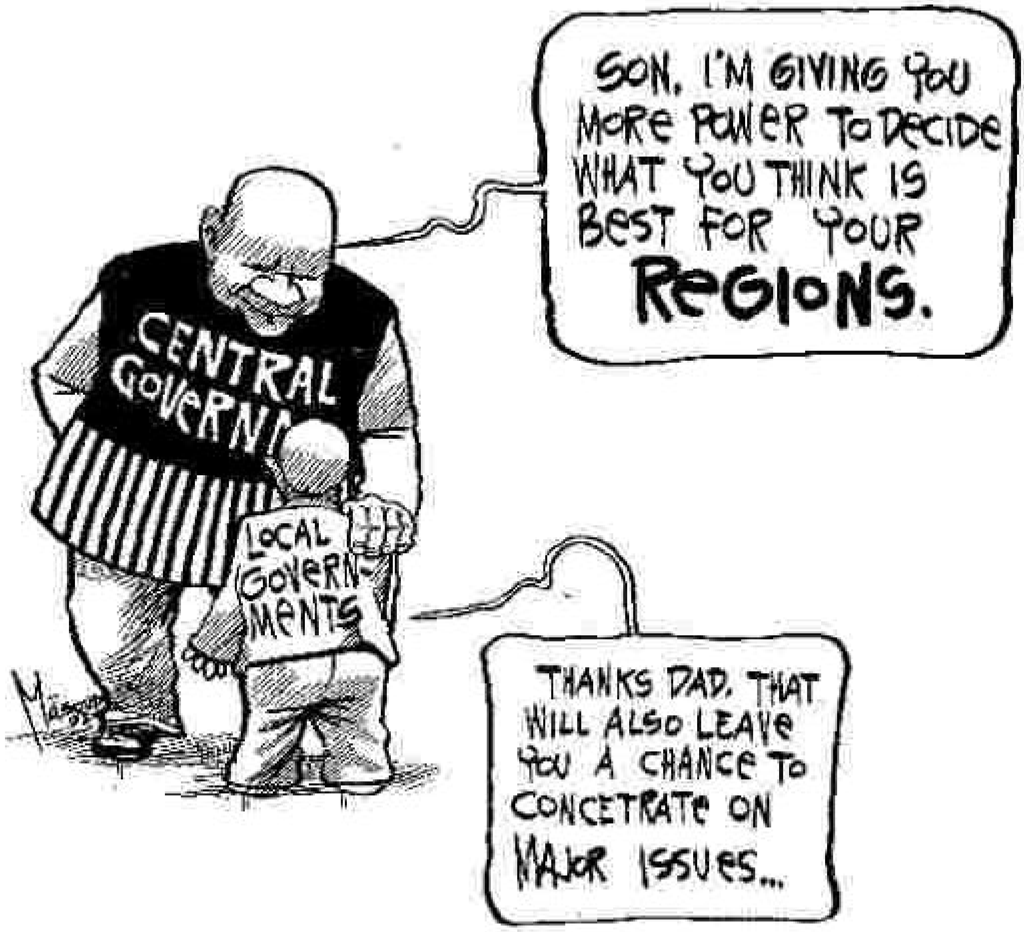
At the same time, on the other side of the world, in Nicaragua, the World Bank's Latin American and Caribbean Region's Environmentally and Socially Sustainable Development Unit was advising Nicaragua to adopt a comprehensive strategy for competitiveness in agriculture, and warning the government away from protection:

> The import-competing sector, and particularly small farmers within this sub-sector, is the group with the most visible problems. Although it is tempting to press for higher border protection to deal with small farmers income problems, arguing their lack of flexibility to switch to different cropping patterns, higher protection is not the only income policy option. Quite the opposite, in the long run it may prove to be a counterproductive route. Alternative routes to assist this sub-sector include targeted programs aimed at improvements in roads, further developments in the financial sector, targeted (temporary) income transfers (e.g., ProCampo in Mexico), agricultural research and technology transfers, and initiatives to promote non-farm employment opportunities in rural areas. In fact, current government efforts to re-address IDR priorities towards productive support to farmers in dynamic areas is a step in the right direction (World Bank, 2002: 19).

These examples, which could be multiplied, illustrate the level of detail with which the IMF and World Bank, working to a common programme, have succeeded in conveying to policy makers in PRSP countries specific strategies on rural development which promote transformed social and governmental relations and institutions supportive of capitalist accumulation, while cautioning against safety nets and support which work against the development of the favoured institutions. More telling still is the text of a document produced in Tanzania by an independent consultant on behalf of civil society organization Hakikazi Catalyst, with the support of DFID and Coca-Cola, to offer a plain language guide to Tanzania's PRSP. Held out as 'an excellent example of the popularising and demystifying of complex policy messages to inform the public about the PRSP' (McGee et al., 2002: 19), it turns out to convey with unerring accuracy the central goals of the World Bank strategy. In a section enticingly headed 'Special Poverty Reduction Extras', it offers the following precepts:

> **Abolition of primary school fees**: The government will stop collecting primary school fees in July 2001. This is because the government believes that more children, especially those from poor families, will be able to get a primary school education if they do not have to pay fees.
>
> **Stimulating contributions from communities and other stakeholders**: Local communities have always been active in reducing poverty through self-help schemes to build classrooms, health centres, water supplies, rural roads and so on. The Government will encourage more of this by sharing the costs of some of these schemes and by encouraging other donors to do the same.
>
> **Training for work**: The Government intends to spend about Tsh. 100 million every year to help people learn what they need to get jobs. This money will be targeted particularly at vulnerable people. (Hakikazi Catalyst, 2001: Ch. 4)

The encapsulation of the three central elements of the World Bank strategy in this context provides strong evidence of the penetration of the message. It is reinforced by cartoons (by Masoud), which reinforce the message. The most striking of them spells out the true message behind the promotion of participation, providing further evidence of the success of the World Bank in promoting its agenda:



These brief examples suggest that the World Bank has devised and implemented a comprehensive strategy aimed at building the social and institutional underpinnings of capitalist development in the poorest countries of the world, and put together in support of it a 'coalition of the willing' – in which the British government under Blair is a major partner, both through Gordon Brown as chair of the IMFC Committee, and through DFID, which has become an enthusiastic promoter of the new consensus (Cammack, 2001b). The resources behind the IMF/World Bank project, whether their own or those on which they can draw, are substantial, and they are increasingly bent towards a common end. Aspects of the strategy which its critics regret turn out to be central to its logic, suggesting that the prevalence of the criticism should be seen as evidence of the effectiveness of the Bank in implementing its agenda. Far from stumbling down a dysfunctional path, as Pincus and Winters suggest, the Bank appears to be striding ahead, albeit on a path not everyone would wish to follow.

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