THE WORLD BANK'S APPROPRIATION OF CIVIL SOCIETY

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INTRODUCTION

This paper argues that two significant institutional restraints that govern the World Bank have been and should be abandoned in order to respond to current world development conditions, some of which are the result of the Bank's own development policies. The institutional restraints found in the Bank's charter prohibit the Bank from taking into account non-economic considerations when approving development programs. One of the Bank's development strategies, the structural adjustment programs, has created significant economic disruption and social distress in almost every location where structural adjustment has been implemented.

The world's development conditions include increasing numbers of people who live in poverty and a growing disparity between the rich and poor. In what resembles a variation of Polanyi's "double movement" by which the poor (with non-state actor led assistance) seize control over their destinies, the World Bank appears to have abandoned its charter mandate to evaluate only "economic considerations" and now explicitly seeks to politically empower the poor. The Bank's move to empowerment mobilizes the discourse of civil society, and I will show how the Bank's World Development Report 2000/2001: Attacking Poverty proposes to use civil society to fight world poverty.

WORLD BANK CHARTER

The World Bank is a group made up of the International Bank For Reconstruction and Development (IBRD) and four other institutions (Shihata 1991). Although first discussed in 1942, the IBRD became operational in 1946, and its mission was to reconstruct the war damaged economies in Europe and Japan and generally promote growth in less-developed member countries. The Bank's institutions and objectives have evolved over time, while adhering to the prime directive of promoting economic growth. In 1956, the International Finance Corporation (IFC) was established in order to channel funds to private sector development. The IBRD and IFC based their loan programs on an analysis of the creditworthiness of the country and its capability to repay loan obligations. In 1960, the International Development Association (IDA) was established in order to provide concessional lending to borrower countries whose credit history or state of development indicated they were not good credit risks. In 1988, the Multilateral Investment Guarantee Agency (MIGA) was established to provide commercial lenders and investors a guarantee or insurance against non-commercial risks.

My argument focuses on two of the Bank's policy imperatives: 1) a focus on economics to the exclusion of non-economic considerations, and 2) arrogance. The purposes of the Bank are stated in Article I of its Articles of Agreement, and they are summarized here:

- restore economies destroyed or disrupted by war…encourage development of productive facilities and resources in less developed countries,
- promote private foreign investment,
- promote long range balanced growth of international trade,
- arrange the loans so the more useful and urgent projects come first, and
- conduct its operations with due regard to the effect of international investment on business conditions in the territories of its members (Shihata 1991).

First, the Bank's charter unambiguously declares that its primary function is to foster economic growth "without regard to political or other non-economic influences or considerations" (Shihata, at p. 65). Bank officers are prohibited from being "influenced in their decisions by the political character of the member concerned." This means that development policy 1) is immune from influence by those who are in power in the targeted countries and 2) must be designed and implemented without regard for the wishes of those who are most impacted by the Bank's development decisions. Ibrahim F. I. Shihata, who was Vice President and General Counsel to the World Bank in 1991, concluded that these legal limitations on the Bank's authority essentially prevented the Bank from encouraging popular participation as a general requirement of Bank programs. While trying to distance the Bank from the people its policies impact the most, he wrote:

> "[w]hile … comprehensive popular participation or democratization is indeed an important goal which developing countries are generally trying to achieve, it is not clear how this goal may, in the abstract, become an operational concern for the Bank." (Shihata, at p. 93)

Instead, oblivious to the human impact of its development policies, the Bank's lawyer wrote:

> The Bank, it should be recalled, is a financial institution which borrows and lends; it should be concerned with its financial strength and its standing in the market. This requires it, on the one hand, to avoid the vagaries of partisan politics and, on the other hand, to be careful that its funds are lent only for sound and efficient uses. *Technical considerations of economy and efficiency, rather than ideological and political preferences, should guide the Bank's work at all times* (Shihata, p. 95 emphasis in original)

It is easy to see how this institutional frame of mind might blind Bank policy makers from predicting the probable human impact of the structural adjustment programs that commenced in the mid 1980's. For example, in Rwanda the structural adjustment program resulted in the 40% devaluation of the Rwandan franc, inflation of 50%, increased taxes, and the introduction of user fees for health, education and other state services, all of which caused severe child malnutrition, a 21% increase in malaria and a massive decline in school enrollment (Storey, 1999). The narrow focus on economics and efficiency also enabled the Bank's Chief Economist in 1991, Lawrence Summers, to suggest that it makes economic sense to shift polluting industries to the Third World countries (Shiva, 1994). According to Mr. Summers, an *economic* analysis showed that the costs of pollution arising from increased illness and death are lowest in the poorest countries because their wages are lower. In terms of *efficiency*, he argued that the "under-populated countries in Africa are vastly under-polluted; their air quality is probably vastly *inefficiently* low compared to Los Angeles or Mexico City (Shiva at p. 102, emphasis added)."

The economist's inhumane argument shows the fallacy in the lawyer's analysis. The fallacy of Mr. Shihata's analysis is in the premise that there can be a "technical" consideration of economy and efficiency that does not reflect ideological or political preferences. After all, human beings are the economic actors who gain or lose when the technical considerations of economy and efficiency are selected and weighed, human actors do the selecting and weighing, and their choices will always reflect their ideological and political preferences. I submit that using the market to weigh relative costs reflects an ideological preference; selecting the criteria for determining efficiency necessarily reflects political preferences.

Second, the Bank's arrogance may arise from the charter requirement that Bank officers "owe their duty entirely to the Bank and to no other authority." While freeing itself from the influence of the despots who too often rule the countries where the Bank is working, the Bank also seemed to ignore the people who were most affected by its programs. Whatever its source, the Bank's decision making as of 1993 was characterized by ignoring local input in favor of policy mandated from Bank headquarters (Chatterjee, 1994). Chatterjee reports that bank staff often were heavy handed and insensitive, insisting on designing projects according to Bank policies at the time instead of consulting with the borrowers and local people. The Bank, which is a Western institution, is not the only source of development policy arrogance. While referring to Western development practice in general and not World Bank policy specifically, Mamdani calls for curtailing technical assistance, which he describes as a "self motivated subsidy given by western countries to their own largely unemployable cadre and passed off as aid" (Mamdani, 2002).

I submit that in a world view in which the only field of play is the market there is no room for civil society. As the Bank expands its field of vision beyond narrow economic considerations, a space for civil society has emerged.

THE EMERGING CIVIL SOCIETY DISCOURSE

Civil society has become a major buzz word within development literature and practice (McIlwaine 1998). It has become a sort of code phrase for a wide range of associational and citizen activity (Trager 2001). There are two broad perspectives to the notion of civil society. The liberal approach views civil society as a largely autonomous sphere of freedom and liberty; this discourse is often associated with the writings of de Tocqueville and stresses the beneficial effects of vibrant civic associations. This liberal view tends to inform those who consider civil society as a panacea (McIlwaine). On the other hand, the neo- or post-Marxist approach views civil society as a site of oppression and power inequalities drawing predominately on the writings of Marx, Hegel and Gramsci. This post Marxist perspective recognizes internal divisions and the ways in which state power may be maintained through the "indirect domination" of civil society (McIlwaine). In both perspectives, civil society is that place where people work together toward a common goal.

Wildeman repeats a useful working definition of civil society (Wildeman, 2000). Civil society is a social space, distinct from the state and business sectors but having a sometimes tense co-relationship with that state, functioning though associations and communication, requiring an enabling context and information flows, although it is not dependent on others for its existence and functioning. Civil society can serve as a moral referent in a community value system.

Civil society is a local and global phenomena. In the interests of economic competitiveness and growth, states are decentralizing, deregulating and liberalizing in order to provide more attractive economic environments for financial capital. In developing countries, the Bank's structural adjustment programs have mandated reductions in state bureaucracy, ownership of industry and price controls (Trager 2001). As the influence of state led institutions decreases, we see a shift in the scales of governance. While state institutions are minimized and local actors acquire the opportunity to exercise influence over their destinies, the international, globalized market has been groping for its own choreography of governance.

I think the growth of the internet, the ease and low cost of email, and the immediacy of televised media are the fertilizers of the growth in global civil society. Thomas Friedman calls this the democratization of information (Friedman 2001). The expectations of every place's population are shaped by their awareness of the living standards and cultural products emerging from the outside world (Fukuyama 1992). At the same time that those in the less developed world see how the developed world lives and consumes the world's resources, some in the developed world draw attention to the apparent unsustainability of a regime in which 20% of the world's population consumes 80% of the world's resources. Watts refers to this as the crisis of development in the 1990's, which is distinctive by its growing sensitivity to the ecological consequences of unfettered growth coupled with unprecedented global inequalities (Watt 1996).

The civil society discourse is primarily derived from European scholars, and it may not be entirely relevant to the less developed regions outside Europe (McIlwaine, Chaterjee, 1990). But it is clearly part of the development theory discourse and we must take it into account.

THE WORLD BANK'S APPROPRIATION OF CIVIL SOCIETY

The World Bank's focus on civil society arose from two complementary sources. First, the 1995 Copenhagen World Summit for Social Development reasserted social priorities on the world's political agenda after more than a decade of infatuation with financial orthodoxy and market liberalization (Howard, 2000). Second, a new focus on the people who have been until recently excluded from the negotiating table and who appear to be the primary victims of failed developmental policies was implemented under the personal leadership of Bank President John Wolfensohn (Edstrom 2000).

The conclusions of the Copenhagen Summit brought to prominence a number of key elements:

- The importance of equity within and between countries, social groups, and men and women as part of the development process
- A need to regulate the market more efficiently
- The value of strong social institutions of civil society including unions
- The need to respect human rights and core labor and social standards
- The important role of the International Labour Organization in working with UN institutions, the IMF and the World Bank to promote a strong international response in all these areas (Howard, 2000).

The Summit participants adopted strong language on the participation of civil society. One of the Summit declarations about the creation of an economic, political, social, cultural and legal environment states, in part:

> Reinforce, as appropriate, the means and capacities for people to participate in the formulation and implementation of social and economic policies and programs through decentralization; open management of public institutions and strengthening the abilities and opportunities of civil society and local communities to develop their own organizations, resources and activities (Wildeman, 2000).

This new focus on people may mark the beginning of the end of irresponsible globalization (Howard, 2000).

The International Financial Institutions' (IFI) infatuation with orthodox financial measurements of progress is demonstrated simply by an examination of the tables of data contained in the World Bank Development Report 1990. Thirty-two tables are presented with such macro-economic information as Structure of Manufacturing, Manufacturing Earnings and Output, Growth of Merchandise Trade, Structure of Merchandise Imports and Exports, Flow of Public and Private External Debt, External Public and Private Debt Service Ratios (World Bank, 1990). None of these tables are brought forward to the Bank's 2000/2001 Report (World Bank, 2000/2001). In their place, the latest report, while not abandoning economic issues entirely, redirects our attention to tables that show a new awareness about the impact of development policy on people: Quality of Life, Water Use, Deforestation and Protected Areas, and Communication, Information, and Science and Technology.

Mr. Wolfensohn's leadership may have been prompted in June 1995 when a group of NGOs approached him with a proposal to address the impact of structural adjustment programs on the people who were the supposed beneficiaries of these programs (Hellinger, et al, 2000). The premise of the proposal was the fact that International Financial Institutions were ignoring the needs, priorities, analysis, knowledge, rights and voices of the people most impacted by these programs. The idea was to provide the World Bank managers a fundamentally different perspective on economic policy, to democratize economic policy making and to legitimize a role for organized civil society in development programming (Hellinger, et al, 2000). Mr. Wolfensohn embraced civil society publicly as a major player in the development process and agreed to the World Bank/civil society partnership, and in July 1997 a project known as the Structural Adjustment Participatory Review Initiative (SAPRI) was launched. Within each of the countries that participated in the review, national networks of small businesses, small farms, labor, women's, environmental, indigenous peoples', religious, community and a variety of other citizens' groups joined forces across each country to discuss economic issues. For example, in Ecuador over 450 organizations participated, in Bangladesh over 300 organizations were involved, and in Zimbabwe some 2000 citizens came together in public fora organized by broad based committees established in each of the country's 45 districts.[1]

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[1] Apparently, there is some concern that rather than embracing these findings and the experience, analysis, needs and priorities of thousands of citizens' groups, the Bank appears once again to be positioning itself to downplay the significance of these results. (Hellinger, 2000)

Civil society participation in the policy making process is encouraged by a recent proposal by the World Bank and IMF to produce a Poverty Reduction Strategy Paper (PRSP). In 1999, the World Bank and IMF announced a new framework for the development of macro-economic policy in countries eligible for Heavily Indebted Poor Countries (HIPC) debt relief or structural adjustment lending. Before a country receives either now, it will have to produce a PRSP (Wildeman, 2000). This PRSP will be developed by governments in conjunction with IMF and the World Bank and be done in a participatory and transparent way, with the involvement of civil society (Wildeman, 2000). The PRSP process reflects a new emphasis on social development concerns within the context of economic development (Edstrom, 2000). The Bank acknowledges that it is now engaging with a wider range of development partners in domains that are crucial to development sustainability, and the participation of the poor is critical to the success of poverty and social development strategies (Edstrom, 2000).

It is a move toward the creation of a global citizen based and citizen driven democratic order in which the future is determined by the people and not the undemocratic and secretive processes of corporate greed (Shiva, 2000).

In order to grasp the magnitude of the shift in the World Bank's focus, it is helpful to examine the World Development Report 1990: Poverty, and excavate the Bank's plan to reduce poverty and the indicators of success. The large absence of the poor's perspective is notable. In 1990, the Bank proposed a two part strategy to reduce poverty. The first element was the pursuit of a pattern of growth that ensured productive use of the poor's most abundant asset—labor. In other words, let's put them to work. The second element was widespread provision to the poor of basic social services, especially primary education, health care, and family planning. In other words, let's make sure there are not too many of them and they are healthy enough to work. The equivocal assertion that "successful programs have *usually* involved the poor at the design stage and during implementation (World Bank a, p. 4, emphasis added)" suggests a preference for top down program design. There are passing and limited references to NGO type organizations that assist farmers, for example: PRODERO in Honduras. The report also acknowledges that "in order to reach the most disadvantaged—tribal groups, the landless or near landless, and in some societies, women----it is essential to work with organizations such as local groups, NGO's and private operators, that know their needs." However, the Bank conceded that there was "inadequate participation" from those who were supposed to benefit from its development programs. The Report states:

> Donors and recipients have given too little attention to sociocultural and political factors and have not been sufficiently aware of the important role that the poor themselves can play in initiatives designed to assist them. (P. 113)

The expression "civil society" is absent from the 1990 report, and the Bank's discourse of participation privileges a one-way flow of information in which the wealthy tell the poor what they need. In 1990, improving the poor's participation in growth did not mean asking the poor what they care about; instead, it meant "increasing their access to land, credit, and public infrastructure." P73

Civil society is now an important participant in World Bank development discourse. I submit that this has happened, in part, because the Bank wisely abandoned its charter limitations to take into account only economic considerations and its own "expert" views of what the poor need and want. The Bank now acknowledges that "poverty is an outcome of more than economic processes," and the latest report explicitly argues that "attacking poverty requires actions beyond the economic domain." (P. 37, 33) While refocusing its attention to three goals: promoting opportunity, facilitating empowerment, and enhancing security, the 2000/2001 Report accepts the central role that civil society must play in improving the lives of the poor. To achieve these goals, an effective poverty reduction strategy will require the efforts of the full range of agents in society: government, civil society, the private sector, and the poor themselves. P. 33

In order to refocus its attention, the Bank conducted the Voices of the Poor Study in which the Bank interviewed more than 60,000 poor women and men in 60 countries. The study showed that poor people are active agents in their lives, but are often powerless to influence the social and economic factors that determine their well-being. P.3

While the role of civil society organizations is sprinkled throughout the report's discussion of opportunity, empowerment, and security, the emphasis on civil society is most prominent in the discussions of empowerment. "The potential for economic growth and poverty reduction is heavily influenced by *state and social institutions*." P.9 "Empowerment includes promoting *inclusive decentralization* and community development." P.9 "Decentralization needs to be combined with effective mechanisms for *popular participation* and *citizen monitoring* of government agencies." P. 9 Although social structures can foster or impede growth, the Bank argues that civil society can served to bring people together. "Social fragmentation can be mitigated by bringing groups together in *formal and informal forums* and channeling their energies into political processes instead of open conflict." P 10

The Bank used novel criteria for measuring poverty, including an evaluation of voicelessness and powerlessness. P. 19. In order to overcome voicelessness and powerlessness, the new program argues that "specific goals will have to emerge from a participatory process in which *governments and civil society* agree on priorities." P. 19

"Involving civil society in planning, monitoring, and evaluating public programs and policies is also crucial to ensure steady progress toward a fully responsive and accountable state." P 100

"Legal service organizations help create a culture of rights that changes the way people think about themselves relative to those who have power over their lives----spouses, landlords, employers, government agencies." P 105

The Bank uses the discourse of bonding, bridging, and linking social capital, all of which rely on the types of associational groups that we would characterize as civil society. P 128, 129

The Bank sees lack of project ownership as one cause of project failure. P. 193. Project ownership can be achieved through a consultative process involving government, civil society and the private sector. P. 194. The Comprehensive Development Framework is a new tool the Bank is attempting to use to improve country project ownership and donor coordination. P.195. The framework is based on four principles: country ownership of the policy agenda, partnership with all stakeholders, attention to social and structural concerns as well as macroeconomic and financial issues, and a long term, holistic approach built on national consultations. P. 195. National consultation is expected from a wide range of civil society organizations----NGOs, unions, religious organizations, opposition parties, and academics. P. 195

The Bank uses various terms to refer to civil society: social institutions, popular participation, citizen monitoring, social structures, formal and informal fora, legal service organizations, social capital, stakeholders, NGOs, unions, religious organizations, opposition parties and academics. Each of these terms reflects the metaphoric and geographic space where people come together to work toward a common good. Civil society is a social space that is distinct from the state and business sectors. It functions through associations and two way communication in an effort to empower people to feel that they have a voice. Civil society in this sense serves as a moral referent in a community value system. The Bank seeks to use the various forms of civil society in order to enable the people to decide for themselves what they want and how they want to achieve it. Gone is the misguided assumption that economics provides the only measure of success, and gone is the arrogance of believing that only the wealthy can speak for the poor.

CONCLUSION

Polanyi's analysis of the choreography of people, their communities, the market and the state remains relevant. Society is vital to humans as social animals (Polanyi, 1957, Mayhew, 2000). Polanyi called the continuing tension and conflict between the efforts to establish, maintain, and spread the self regulating market and the efforts to protect people and society from the consequences of the working of the self regulating market "the double movement." As the impersonal forces of a wage labor market deprive humans of their humanity, government and civil society work to ameliorate the destruction. I think Polanyi attributes the double movement to the human will to freedom, which enables and causes people to come together and seek ways of creating more personal, localized, physical and rooted life ways.

The neo-liberal economics of the 1980's, which attempted to reduce the role of the state and favored the presumed efficiencies of the market, created an opportunity for civil society organizations to emerge. The move from state control to market control, which is frequently announced with the discourse of privatization, was met by the double movement, which sought to contest the market's hegemony and ameliorate the destruction the market wrought.

The World Bank's appropriation of the civil society discourse and agenda shows the double movement at work.

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