Part I

Understanding how global governance works

1 Introduction

Over the past two decades, the main organizations involved in financing international development have become preoccupied with the problem of failure. Whether we look back at Joseph Stiglitz's 1998 seminal lecture, when he was the World Bank's Chief Economist, on the need to move beyond the "failures of the Washington consensus," or consider the new Bank President, Kim Jong Kim's recent insistence that the institution not only acknowledges and learns from past failures but also develops a results-oriented "science of delivery" to avoid them in the future, we find the idea of failure everywhere.[1] Even the International Monetary Fund (IMF), which has historically been loath to acknowledge the possibility of failure, has recognized its errors in estimating the economic effects of austerity policies in the context of the European financial crisis.[2]

This book looks at how this growing preoccupation with failure has changed the way that international financial institutions and major donors do the work of managing development finance. Although their basic objectives have not changed greatly from the days of structural adjustment, *how* they seek to achieve them has. To capture these changes we need to look at more than the usual analytic categories of interests, objectives and norms, and examine the concrete practices through which key institutional actors do the everyday work of managing finance for development.

What kinds of everyday practices are staff at the IMF and World Bank and donors like the UK's Department for International Development (DFID) involved in today? If we were to peer over the shoulder of staff members in these organizations, we would find that some are preparing consultation processes with affected groups in order to try to foster a greater sense of ownership for development policies. Others will be developing indicators for assessing countries' compliance with standards of best practice in areas ranging from good governance to accounting. Yet others will be busy analysing the risks and vulnerabilities of a given country, individual or program. And many others will be preparing results matrixes trying to link their organization's actions to specific development outcomes, such as an increase in the number of children in school.

Each of these practices is linked to one of four new and powerful governance strategies that I examine in this book: fostering ownership, developing global standards, managing risk and vulnerability, and measuring results. These strategies are common to almost all of the organizations involved in development finance. They are also very heterogeneous. Yet, if we look closely at how they do the work of governing development finance, we find some common patterns. Those engaged in these practices tackle the work of governing differently than they did during the structural adjustment era of the 1980s and early 1990s.[3] They approach their ultimate object – changing low-income countries' (LICs) economic policies and outcomes – far less directly than in the past, working on the broader institutional context or through other intermediaries. They are also more proactive, even pre-emptive, playing the long game by, for example, trying to reduce underlying vulnerabilities or instil a set of best practices. Institutional actors also rely on more symbolic techniques – as conditions or results are used primarily for their value as signalling devices to communicate political commitment and economic soundness. Above all, those engaged in these new practices of governance are more preoccupied with the problem of failure: its ever-present possibility, its many sources in the form of risks or dysfunctional politics, and the need to avoid it at all costs.

In their efforts to confront the problem of failure, development organizations have begun to rely on what I am calling a *provisional* kind of governance. The *Oxford English Dictionary* defines "provisional" as temporary or tentative, and as characterized by foresight or anticipation. As I will elaborate throughout this book, the four new governance strategies discussed here are more anticipatory in their orientation to possible futures and more cautious in the face of possible failure, seeking to inoculate their policies against such dangers. This is a style of governance that does not control its objects directly or absolutely, but rather through a subtler, more indirect approach. It is also a style of governance that relies increasingly on a kind of expertise that can be revised after the fact. The sociologist Niklas Luhmann was among the first to point to the rise of this kind of provisional expertise, suggesting that in a world characterized by an uncertain future, experts seek to hedge their bets in order to leave room for unpleasant surprises.[4]

Although the idea of provisional governance may seem at first like a highly abstract and academic concept, this form of management is in fact increasingly a part of everyday life. It is perhaps most obvious in marketing, or what we might think of as the governance of desire: companies and politicians alike are increasingly anticipatory in their approach, trying to guess at or even foster trends before they become popular. They seek to achieve their objective through indirect methods, using social media to try to engineer bottom-up movements and fads. With the dominance of the brand, moreover, symbolic value has long eclipsed usefulness as the defining feature of the objects of our desire (be they cars, phones or national leaders).[5] Each of these techniques is designed to maximize the chances of success – and minimize the risk of failure – in what is seen as an increasingly uncertain world. Yet the ever-present possibility of failure remains. This is where provisional forms of expertise become particularly useful: think of the number of food products that now contain the statement "may contain nuts," or how habituated we have become to hearing that there is a thirty per cent chance of rain this afternoon. Even seemingly definitive economic statistics like current growth and unemployment rates in major economies have become "estimates" that are frequently revised after the fact – sometimes dramatically, as was the case in the October 2012 unemployment figures that helped President Obama's re-election.[6] These are all examples of a kind of provisional statement that leaves itself open to revision or contradiction without losing its claim to expert authority.

I am not suggesting, of course, that the IMF, World Bank and key donors have become as sophisticated as Apple, the Republican Party or the Weather Channel in their knowledge management techniques. What I am arguing is that their most recent policies are taking on a more proactive, indirect and symbolic character, and that they increasingly rely on more provisional forms of expertise. When World Bank growth-oriented policies focus on influencing "the underlying institutions and policies that promote growth,"[7] or when IMF staff seek to "flag the underlying vulnerabilities that predispose countries to economic disruption" rather than predict crises,[8] they are engaging in practices that are open to many such provisional claims: that this particular vulnerability may open a country to further difficulties (if another shock occurs), or that reforms to these legal institutions should increase the likelihood of better economic performance (in the longer term). Little by little, those involved in development finance are coming to rely on this kind of more provisional expertise as they try to manage ever more complex problems in an uncertain environment.

Why has this shift occurred? In answering this question, this book develops a second major theme focusing on the politics of failure. These changes in how development governance is done were precipitated by a significant erosion of international financial institutions' (IFIs) and aid agencies' expert authority in the 1990s. These organizations have been struggling to regain their authority over the past two decades after the Asian financial crisis and the apparent failure of development aid in sub-Saharan Africa. These events raised doubts about the very core of what organizations like the IMF and World Bank pride themselves on – their role as the global experts in finance and development.

The Asian financial crisis and the "lost decade" in Africa were important not so much because they were objective failures, but rather because of the way that they produced a particular kind of debate about what counts *as* failure. They, together with the more recent global financial crisis, are examples of what I am calling *contested failures*: events on the public stage that engender major disagreements about whether they are failures and, if so, what kind of failure they represent, eventually precipitating debates about what counts as success and failure in a given policy area. Michel Callon has called such debates "hot negotiations," in which policymakers, critics and academics debate not just the content of policies but also the metrics through which they are assessed.[9] These hot negotiations ultimately produced several key moments of *problematization*, a term I am borrowing from Michel Foucault's later work.[10] In the process, new questions and concerns – such as the political sources of policy failure, and the problem of risk and contingency – became the subject of intense intellectual and practical preoccupation. The products of these debates were the four new governance strategies I mentioned above: fostering country ownership, developing global standards of good practice, managing risk and vulnerability, and measuring results. Each seeks to re-establish the eroded authority of the IFIs and donors through new governance practices, and each does so in a way that has become, particularly in the past few years, increasingly preoccupied with the possibility of future failures.

Starting from this awareness of the fragility of expert authority and the politics of failure, this book is organized around three key questions: (1) how and why did this erosion in expert authority occur? (2) How do these emerging practices seek to re-establish that authority and more generally do the work of governing, given the possibility of failure? And (3) what are the implications of that shift – for the IFIs and donors themselves, and for global governance more generally?

How and why the shift occurred

The first chapters of this book are concerned with uncovering what has changed since the structural adjustment era, and understanding how and why this change occurred. There are those who argue that there is in fact very little new in the global governance of development finance, and that any apparent changes are only at the level of rhetoric and not practice.[11] Yet, as I show in Chapter 3, if we compare the earlier structural adjustment-era practices to those of the past decade and a half, it is evident that there have been significant shifts in how development finance is undertaken.

The structural adjustment era stands out even now as the high point of the power of the IFIs and Western donors, when their capacity to exert influence over low- and middle-income countries appeared incontestable. Why then did it not last? Ironically, those very aspects of structural adjustment policies that made them seem so stable, such as their consistent reliance on universal economic principles and efforts to separate or subordinate politics to economics, ultimately proved to be unable to address the increasingly complex problems that institutions were faced with. Of course, there were significant sources of conflict between donor organizations and borrowing states and civil society organizations, all of which helped erode the structural adjustment policies. But these conflicts combined with tensions that began to emerge within the practices of governance themselves. As the IMF and World Bank delved deeper into the structural aspects of borrower countries' economies, they found their policy tools ill-suited for the task and began to experiment with new criteria for evaluating success and failure. The difficult events of the 1990s, including the Mexican and Asian financial crises and the recognition of a failed decade of aid to sub-Saharan Africa, were viewed as signs of profound failure in the governance of development and finance. Debates about "aid effectiveness" in the 1990s not only sought to resolve the problem of failure, but, more significantly, to develop a new consensus on what constituted success and failure.

These organizations thus came face to face with what the political theorist Sheldon Wolin, in his interpretation of Max Weber's political and methodological writings, describes as one of the central paradoxes of expert authority: the need for expertise to ground itself on methodological foundations which themselves are fragile and prone to contestation.[12] As I will discuss in later chapters, such moments of contestation often occur when the gap between a system of measurement and the complexity of its objects becomes too big – as the fluidity of the world overtakes our capacity to translate it.[13] In the case examined here, key international organizations (IOs), and state and non-governmental organization (NGO) actors, challenged the grounds of governance expertise and sought to redefine it through a process of problematization – debating and developing new techniques and practices. What emerged over time were several new governance strategies.

How the new practices work

How do we go about understanding this transformation, and mapping the contours of these emerging practices of governing in the context of failure? In other words, how do we study the *how* of global governance? One of the challenges of investigating the changes discussed in this book is that they cannot be readily witnessed through the study of any one individual institution, such as the IMF or the World Bank. Although IO scholars focusing on an individual institution gain crucial insights into the complexities of internal bureaucratic politics and the dynamics between internal and external pressures, they run the risk of ignoring the ways in which policies pursued at one institution are connected to and dependent on processes at others and within a broader community of practice including donor agencies, NGOs and IOs.[14] At the same time, focusing only on the broadest level of analysis, examining macro-trends in global governance – in the transformations of advanced capitalism, for example, or in neoliberalism – runs the risk of over-generalizing the changes taking place and missing the complex particularities that are involved in each institution and policy.[15]

Many of the important changes taking place in global governance – including the emerging strategies discussed in this book – occur at a meso-level that is between these two more common levels of analysis. In Chapter 2, I develop an analytic framework for studying these meso-level processes – a "how to" guide of sorts – to assist those who are interested in understanding these messy intermediary processes of global governance but are uncertain of how to go about doing so.

This framework focuses on three interrelated meso-levels of practice. The first level of analysis is made up of *governance strategies* such as managing risk and vulnerability or fostering country ownership. These are broad clusters of governance practices organized around a particular problem: how, for example, to address the political sources of policy failure (by fostering ownership). These strategies cut across a range of different institutions. They are developed, often piecemeal, by various policymakers, politicians, economists and critics through a process of debate and problematization, in which a new set of issues or concerns is defined and new techniques developed for making them governable.

Although there has been a myriad of individual policy initiatives, this book argues that it is possible to identify four broad trends in policy that most key development financing organizations and many NGOs have participated in over the past decade and a half. Put simply, these are strategies of fostering ownership, developing global standards, managing risk and vulnerability, and measuring results. The first of these strategies, most apparent in IFI efforts to streamline conditionality and to replace structural adjustment lending with Poverty Reduction Strategy Papers (PRSPs), places new emphasis on ensuring that policies are responsive to local contexts, and seeks to build local ownership of IFI and donor programs. The second strategy of standardization seeks to develop universal standards of good governance and best economic practice, and to disseminate them to developing and emerging market countries. The third strategy of managing risk and vulnerability reconceptualizes the objects of development assistance – such as poverty reduction or project success – as more contingent and prone to failure, and works to develop pre-emptive measures in response. The final strategy of results-based measurement seeks to catch up with the increasing complexity of finance and development policies by creating ever more sophisticated methods for measuring policy success and failure, and integrating the measurement and evaluation of results deeply into the process of policy management.

The second meso-level of analysis drills down to the building blocks, or *factors of governance*, that make up these governance strategies: these include the actors who govern, the techniques and knowledge that they use, and the forms of power and authority involved. By mapping shifts and continuities in these key factors, we can gain a nuanced appreciation of how the work of governance is being done.

The past two decades have witnessed significant shifts in the various factors involved in the work of governance. New, more engaged actors have become implicated in the processes of governance, most notably through the integration of various kinds of civil society actors as the source of "demand" for particular kinds of government policies and market services. Forms of knowledge have also evolved, as practical, small "i" ideas, such as new public management and new institutionalist economics, have become the drivers of institutional change, replacing the more ambitious big "I" Ideas like the Keynesian and Neoclassical paradigms. The techniques have also shifted accordingly, relying on new forms of participation and the production of different kinds of documents, or inscriptions, to coordinate action.[16] The forms of power and authority involved in the governance of finance and development have also undergone a transformation, as IFIs and donors have begun to rely on more popular and moral forms of authority, and as their expert authority has become more provisional in character. In the process, they have also begun to replace some of the more overt, instrumental forms of power used in the structural adjustment era with less direct, more productive (but still exclusionary) forms, such as scoring and ranking processes that sort countries based on their performance.

The third and final level of analysis that I am undertaking in this book considers whether there are any broader underlying patterns apparent in the strategies and factors of governance at a given moment in time. As I will elaborate in the next chapter, some historical moments are characterized by a particular *style of governance*. Such styles are defined by the particular ways that institutional actors have found to resolve the tensions facing governance efforts – in particular, the methodological dilemmas that I discussed above, as they seek to maintain expert authority in the face of a slippery world that resists full comprehension. In Chapters 3 and 4, I suggest that the structural adjustment era and the present day are each defined by a different style of governance – the earlier era being characterized by a far more confident and direct style than the present-day provisional form of governance.

Implications

What are the implications of such changes in how governance is done? This is a potentially vast question, which could be answered on many different levels – focusing on the effects on domestic communities, on interstate dynamics, or on the IFIs and donor organizations themselves. This book seeks to answer the question of implications in the final chapter by focusing primarily on the last of these questions – examining the effects of these changes on organizations by asking what their implications are for the politics of global governance, and considering how sustainable these new strategies ultimately are.

What is the future of this provisional style of governance? If we look more closely at the different patterns that constitute it – the shift towards more proactive and indirect approaches to governance, the reliance on symbolic techniques, and the increasing awareness of the possibility of failure – we do not find a single coherent *telos* but rather two possible paths. On the one hand, many of the practices involved in these strategies are open-ended and even experimental.[17] They respond to the uncertainty of the world through a trial-and-error approach and bring new actors, particularly local ones, together with local forms of knowledge into the process to better respond to the unknown and learn from past failures. Yet this more open-ended and inclusive form of expertise coexists with, and is often trumped by, a much more risk-averse one that responds to those same uncertainties by relying on the security of more traditional forms of expertise, trying to reduce everything to numbers – an approach best captured by the new emphasis on measurable results.

Each of these paths also has significant political implications. More experimental approaches to governance often cede some authority to a