

1 Introduction

When the 1997 World Development Report (WDR97) was released, the **Guardian** (London) announced 'Sudden U-turn by the World Bank'. This was an exaggeration: we demonstrate below that there has been more evolution than revolution in the ways in which recent World Bank documents and statements have treated 'the state'. However, the external perception is that there has indeed been a substantial shift in the public position of the World Bank in relation to the role of government in development. This is generally seen as a change from a state-sceptical to a state-friendly stance: governments are now believed to be very important, and the priority is to make them work better, rather than cutting them back.

For many people, this will be **the** message from WDR97: 'the World Bank has moved to a more consensual, middle-of-the-road position.' A number of contributors to this **Bulletin** suggest that this is in itself a positive move: that more fruitful dialogue about development policy issues is possible now that the Bank – one of the leading financial and intellectual actors in the field – has adopted an attitude to governance that is more congenial to many of its client governments and to other aid and development agencies. That shift in itself represents a move towards consensus. However, as Garth Glentworth of the Department for International Development (UK) suggests in his note (Box 1), it would be a mistake to interpret these more state-friendly noises from the Bank as a reversion to some previous position, an endorsement of the 'statist' views and practices we now associate with the 1940s–80s, or a signal that the big debate about the role of government in development is now largely resolved, and reduced to a few technical questions. While the authors of WDR97 have striven to achieve a wide degree of consensus, they also adopt and advocate a basic stance that implies continuous reappraisal and evolution of the role of government in development, not relapse into some 'middle way' consensus. That stance is encapsulated in the phrase 'matching role to capability': adapting what governments do, and how they do it, to their capability.

Governments should concentrate on what they do best, not over-reach themselves – and of course

Editorial Introduction

**Alison Evans
and Mick Moore**

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Box 1 A British Perspective

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Context

- 1 I am writing this note in my personal capacity – as a middle-level bureaucrat of some years experience, more concerned with the implementation of aid projects and programmes than overall policy, but very keenly interested in understanding the overall context for development, to which the World Development Report 97 (WDR97) adds very significantly.
- 2 WDR97 is a very impressive piece of work; it is a 'book' that covers, in considerable and very informed detail, a vast range of issues relating to the role of the state and its efficiency and effectiveness. The authors have fallen over backwards to be impartial and objective and – sometimes – one hankers after a little more prescription simply to cut through the huge mass of information!
- 3 This factor of length and denseness could affect negatively the Report's impact on many developing and transitional countries. Not many aid officials or policy makers in the West will read the document from cover to cover and it is even less likely that Southern counterparts will do so. But there is a compensating factor: the Report can be dipped into occasionally; it does not have to be read as a whole.

Status and Impact

- 4 The members of the World Bank Task Force who introduced the WDR at the European Policy Forum disarmingly referred to the document as merely a think-piece and not a set of operating guidelines. An NGO representative at the same meeting described it as 'a highly leveraged intervention in the development policy market'. The truth lies in between: the Report is much more than simply a contribution to ideas, but less than the definitive bible on the subject of governance. The World Bank should perhaps make it clear what status they intend for their World Development Reports; they have to be honest about the massive impact

these reports will have on development thinking. A limitation is that WDRs treat different subjects every year. In terms of the institutional politics of the Bank and of the fact that different groups want their areas highlighted, this is understandable. However, it would be extremely useful if WDR98 returned to the same themes as WDR97, and reported on their practical operationalisation in Bank programmes and elsewhere. But this may be impossible.

- 5 It became clear during the European Policy Forum that staff of the European bilateral aid and development agencies tended to overestimate the extent to which WDR97 represents a transformation in World Bank thinking. Certainly, the Bank has now renounced its minimalist view of the state, in which the central objective was to reduce, as much as possible, state influence in size and cost. That view, in any case, never fully affected the Bank's lending portfolio. For example, mention was made of 63 existing legal-sector development projects in World Bank operations; this hardly smacks of minimalism in practice! There was also a tendency to claim that the bilateral perspective, particularly that of the Scandinavians and perhaps the Dutch, which has never abandoned the primacy of the state, was now vindicated; by implication, the World Bank had admitted the error of its ways, etc. A more careful reading of WDR97 will show that the recognition of the state's role and the primacy for its effectiveness still represents a compromise between the leading role that used to be espoused and the reduction of state functions. There is still a balance and it still veers towards minimalism in many facets.

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- 6 My own field predisposes me towards special consideration of chapters 5, 6 7, 9 and 10 – those referring to the civil service and to the special problems of capability and effectiveness of 'soft'

and even more 'collapsed' or 'failed' states. Here there is a wealth of guidance, but perhaps not enough sifting and prescription on priorities. States at this end of the spectrum face what might be called enforced minimalism: the inability to staff, manage and fund anything more than the basics of governance if there is to be any practical impact at all. They constitute the most graphic demonstration of the WDR message of matching capabilities to responsibilities. I think there could have been, with advantage, further treatment of this category of country – after all the most needy

and deserving – and this should have formed a larger part of chapters 9 and 10. The treatment there is optimistic rather than sensible -waiting for 'windows of opportunity' is all very well, but we can't wait for long! This is where I would like to see published a follow-up to WDR97 – if not in WDR98, then at least in other well researched and widely circulated publications. If these also give special attention to packaging and summaries that will actually be read and assimilated by decision-makers in the countries under review, so much the better.

strive to build up their capacity.¹ It would be easy to pour scorn on a 'strategy' that appears so obvious and so general that it gives no real guidance on how to tackle particular policy decisions. It is, however, a strategy that has more potential bite than first appears. It can bite in two main ways.

First, 'matching role to capability' is the kind of 'public idea' that provides the basis for relatively reasoned policy discussions in situations where the policy decision might otherwise simply reflect the interests of powerful groups (Kelman 1988). Public ideas help frame political debate, and thus influence both the way in which it is conducted and its outcomes. 'Matching role to capability' is potentially an influential public idea. Especially in countries that have a recent tradition of statism and a large state sector, the idea that government should concentrate on what it does best, and not over-reach itself, provides a conceptual and normative framework within which one can have a reasoned debate about whether, for example, district agricultural extension officers should continue to have the responsibility for licensing traders in agro-chemicals. The 'role-capability' discourse directs us to ask whether this regulatory power is on balance (a) a good use of agricultural extension resources and (b) actually effective. It can replace a statist discourse in which, for example, the fact or belief that unscrupulous traders sometimes cheat poor farmers by selling sub-standard chemicals itself constitutes automatic grounds for more public regulation – and where

failure of government to regulate directly is seen as evidence that they do not care about poor farmers.

The same point can be made more directly by describing what the 'role-capability' injunction is **ruling out**. It is ruling out arguments of the nature: 'This agency may not yet be very good at running training courses for small-scale entrepreneurs, but, given the time and the resources, we will certainly learn.'

Second, the 'role-capability' injunction has bite because it entrenches scepticism about the competence of the state: it encourages a bias in favour, either of doing nothing, or of intervening with simple rather than complex tools. In his article, Andrea Cornia suggests that there is a genuine bias here: that WDR97 expresses more scepticism about the state than about the capability of non-state actors – both the market and civil society. Further, Cornia suggests that the Report embodies an assumption that the respective 'capabilities' of these different agencies are substantially independent of one another. More precisely, it is assumed that, if the state is incompetent and unable to perform certain functions, the market is likely to pick them up. But what happens if the market is itself highly fragile and under-developed, and cannot develop further without more active support from the state, in the form of commercial legislation, effective policing, judicial and penal systems, and the creation of an environment in which the enforcement of law is the

¹ Increasing that capability is the second core element in the Report's strategy for the state: 'raising state

capability by reinvigorating public institutions' (p.3).

normal expectation and the basis upon which people enter into economic relationships? Is there not a danger of triggering a vicious circle of decline in the capabilities of state and market (and perhaps civil society) if the state withdraws from activities that it appears to do badly, in circumstances where the alternative institutions are fragile and dependent on the state? Cornia and others make these points particularly in relation to the transitional economies of Eastern Europe and the former Soviet Union, where market institutions often appear very fragile. Notably in chapters 3 and 7, WDR97 shows an awareness of these issues. It is unlikely that one could achieve agreement between the Bank and its critics on whether the Report deals with them adequately. The point here is that there is real substance behind the bland-sounding central injunction in WDR97 that states should match their role to their capability.

WDR97 makes a significant contribution to the debate about the role of government in development – a contribution that extends well beyond signalling a more state-friendly World Bank. The purpose of this **Bulletin** is partly to explain what the World Bank team have to say, but mainly to examine and critique. By reproducing here the Overview to WDR97, we permit the Bank team to summarise their message. Our focus is on examination and critique. But who are 'we'? We reflect the European Policy Forum on the Role of Government in Development, that was held at the IDS on 17–18 September 1997.² This Forum was designed to explore the usefulness and relevance of WDR97 to the European aid and development agencies. It was a small meeting, attended by four main categories of people: the heads or senior staff of European bilateral aid agencies; representatives of European development NGOs; senior public servants and public sector management specialists from Brazil and India; and a number of European academics specialising in development policy research. Five of the latter – Andrea Cornia (Italy), John Martinussen (Denmark), Mick Moore (UK), Alice Sindzingre (France), and Oda van Cranenburgh (The Netherlands) – prepared in advance written critiques of WDR97 that formed the focus of the Forum discussions and, in amended form,

comprise the bulk of this Bulletin. Ajay Chhibber, the head of the World Bank's WDR97 team, and Alison Evans, a team member, also participated in the Forum. We have done our best to be balanced in our discussions of WDR97 at every stage of the process. This 'balance' extends to the tone of the individual articles: most of our authors have some positive things to say about the Report, before launching their attacks, and some are more approving than disapproving. However, the article by Nick Hildyard and Alex Wilks continues the tradition of using IDS publications to air vigorous critiques of the World Bank, and argue very different positions. The views represented here are not wildly imbalanced; they are diverse; they are limited in one important, intentional respect: they are the voices of **European** aid and development professionals.

Our contributors address two main sets of issues:

- The first set stem from a literal perspective on WDR97, i.e. from taking it at face value as a contribution to the debate about the role of government in development from a highly qualified bunch of professional colleagues. The questions concern the **validity** of the views on the role of the state in development contained in WDR97. Is the analysis accurate? Are the facts disputed? Are the conclusions clear and valid? How far are they practically useful? What are the risks and downsides? To what extent has the Report taken, or should it take, into account varying regional and national circumstances?
- The second set of issues, intertwined with the first in practice, arise from going beyond this literal interpretation of the Report to examine the **process** by which it was produced. They are questions about the World Bank itself. They can rarely be avoided in discussing any World Development Report, because the Bank plays such a prominent, activist role in development policy debates from a position of influence and privilege. Such questions are especially salient in this case because of the perception that there has been a significant shift in the position of the Bank on issues that lie at the heart of some of the most ideologically charged debates about politics and governance worldwide. Has the Bank

² We gratefully acknowledge the support of the Department for International Development (UK), the Swedish International Development Cooperation

Agency and the World Bank for this Forum and for this **Bulletin**.

really changed its position on the state? Is WDR97 a statement of the Bank's formal position, a signal about its changing attitudes, addressed perhaps as much to its own staff as to the outside world, or just a contribution to the debate? If the Bank has changed its position, should it not come clean about it, and perhaps even repent publicly? Is it right that the World Bank should have so much power to re-frame the debate about development issues? Does it use that power well? Does it consult enough outside the Bank? Should World Development Reports be produced through some different process? Does the Report take sufficient account of the World Bank itself as an actor in the international system that is analysed inside its covers. Does the Report focus adequately on what the Bank itself should be doing in relation to the problems that are identified?

These **process** issues are contentious. The main criticisms of the Bank are set out clearly in the note on process by Alex Wilks ('The process of preparing World Development Reports: a critique') and in his joint article with Nicholas Hildyard. The remainder of this editorial concentrates on the **validity** issues.

2 Does WDR97 Say the Right Things?

Good student essays receive brief comments; bad ones need mini-essays in return. This seems unfair on those who merit praise, but there good reasons for doing things this way. We will treat WDR97 in the same way, and not dwell at length on its virtues. They are summarised in the papers by Andrea Cornia and Mick Moore in particular. The main virtues are, at the level of method and approach: a general sense of 'balance'; a serious engagement with recent research and with researchers in political science and public management, and an attempt to integrate their perspectives with those of economists; open-mindedness; and a realistic understanding of the limits of general prescription about these issues. At the more concrete level, the Report contains very useful discussion of, among other things, approaches to public regulation; the politics of economic reform; the character and consequences of corruption; the reform, organisation and motivation of the public service; the potential contribution of NGOs and civil society to development

and to state-society partnerships; and ways to increase the accountability of governments. Policymakers and practitioners concerned with improving public sector management are likely to want to keep WDR97 on their shelves as a source of ideas.

Our contributors have more to say by way of critique. Their main criticisms can be organised under six questions. We begin from the more concrete and precise questions and move to the more abstract.

(i) Do governments of poor countries raise enough revenue?

There was a widespread view at the European Policy Forum that WDR97 had not paid enough attention to the urgent need for the governments of poor countries to increase their capacity to raise revenue (in an equitable and efficient fashion). The situation is chronic in some of the transitional economies, notably Russia, where government revenue sources have withered, but serious in many poor developing countries. This point is argued in Andrea Cornia's paper and the summarised in the response to the Report from the Swedish International Development Cooperation Agency (Sida) by Dag Ehrenpreis (Box 2). The strength of the feeling expressed in the Forum reflected the confluence of three distinct concerns. One is the fact that aid volumes are shrinking, and that the governments of some of the poorest countries that have become very aid dependent over the last two decades will soon have to find alternative financial resources or face a (further) decline in their capabilities. The second is a matter of fiscal arithmetic. WDR97 includes some implicit acknowledgement – although not enough for some of our commentators (John Martinussen, Andrea Cornia) – that the effectiveness of government depends on its legitimacy, and that in turn is shaped by the extent to which it visibly pays attention to the needs of the poor and vulnerable. The Report argues the need to **increase** (efficient and effective) public spending on health and education services for the poor (p.52). Yet where is the money to be found? In the Forum discussions, John Toye of the IDS made the point that the public finance statistics in the statistical tables appended to WDR97 indicate that, on current trends, the money will not be available. The third concern is more political: that high levels of dependence of governments on aid – or other

Box 2 The Response from Sida

Dag Ehrenpreis, Swedish International Development Cooperation Agency (Sida)

- 1 WDR97 has many merits. Its analysis is of high overall quality; it is well written and, as is usual with World Bank reports, has helpful pedagogical illustrations. The approach is refreshingly pragmatic, thus moving away from the rather ideological and confrontational debate on the issue of state versus market of the last 10–15 years. Sida appreciates the constructive approach of WDR97, emphasising the complementarity of state and market, rather than the contradictions.
 - 2 The Report represents a very positive and welcome new approach on the part of the World Bank. The Bank has previously focused more on the macro-economic policy framework than on the institutional framework. The early Structural Adjustment Programmes (SAPs) emphasised reduction of public expenditures for macro-economic stabilisation. WDR97 indicates a redefinition of the role of the state in World Bank policy. It shows that development requires an effective state, one that plays a catalytic, facilitating role, encouraging and complementing the activities of private businesses and individuals. 'Without an effective state, sustainable development, both economic and social, is impossible.' (Foreword by James Wolfensohn, President of the World Bank.) Thus, it is now recognised that the state has an important role in establishing an institutional framework conducive to (a) lowering transaction costs, (b) functioning markets and (c) stimulating productive investments – as well as providing public goods and services.
 - 3 WDR97 mainly discusses the efficiency of the state in fulfilling its core functions of providing pure public goods but also merit goods and services, for example in the social sectors. However, it is regrettable that the Report does not clarify and develop the theme of the role of the state in legitimising and promoting economic and social equality. Recent World Bank research has shown the importance of reducing inequalities, not just as an objective in itself or to achieve short-term poverty reduction, but also to stimulate overall growth.
- Thus, equality and growth can be mutually supportive, and WDR97 fails to promote this important role of the state in equalising reforms and also in formulating and implementing economic and structural policies that promote pro-poor growth patterns.
- 4 In this connection, the traditional World Bank approach of targeting or means testing and supporting social safety nets (WDR90) ought to have been critically reviewed, given for example the interesting World Bank research integrating political economy and econometrics. This shows that 'More for the Poor means Less for the Poor' (**World Bank Policy Research Working Paper** 1997) as a result of the workings of the political process: the size of the budget available for redistributive and social welfare programmes is determined by the extent to which a majority of the population benefits from these programmes. This is a main reason why Sweden and many other countries have had universal social policies rather than means testing. There are also incentive problems with means testing, including fraudulent behaviour that can undermine overall productivity. A related problem is that using performance indicators for public services creates incentives to provide the least services to the most expensive (i.e. the most deprived) clients, aggravating the problem of social exclusion. The point here is that issues of poverty reduction and equality should be considered for all state policy reform programmes, at all levels.
 - 5 WDR97 focuses almost completely on the expenditure side of the budget, but the revenue side is at least as important for reforming the state and its finances. Domestic resource mobilisation is important as a tool for financially sustainable development. There seems to be an unfortunate division of responsibilities between the World Bank (public expenditures) and the International Monetary Fund (public revenues), where it should be obvious that the two sides of the budget must be analysed together, along with systemic and management issues.

6 Aid donors have particular reasons for emphasising the point that 'partner countries in development cooperation need to mobilise their own resources in order to reduce aid dependency, which is a problem of increasing concern to aid agencies'. This issue is of concern to the tax-paying public in donor countries, which is increasingly lukewarm about continuing to pay for foreign aid, if those in recipient countries, who can afford to, do not contribute to public revenues.

7 Finally, discussions at the European Policy Forum on WDR97 showed on this and other points that bilateral donors had a lot of views in common on reforming the state. There was a consensus that policy coordination in this area should improve in order to conduct a more concerted and forceful dialogue with the international financial institutions.

sources of 'unearned income', such as mineral royalties – appear consistently to undermine the relationships of accountability to society that are clearly so important in improving the quality of governance in many poor countries. In these circumstances, developing the local tax base can contribute directly to increasing accountability and democracy (Mick Moore; see also Oda van Cranenburgh).

(ii) Good policies versus good government?

The central theme of Andrea Cornia's paper is that the authors of WDR97 have failed to make a sufficiently clear distinction between (a) 'good government' issues, that should be viewed in terms of the **processes** of government; and (b) the question of what are appropriate economic policies in different circumstances. Cornia believes that too many elements of the disputed 'Washington consensus' about economic policy appear in WDR97 in the guise of elements of good government (see also the articles by Nicholas Hildyard and Alex Wilks, and by Oda van Cranenburgh). The debate about the boundary between the processes of government and the content of public policy has been live in development studies since structural adjustment and economic liberalisation loomed large on the policy agenda. It will not go away in a hurry.

(iii) Poverty alleviation versus governance?

While the European Policy Forum was meeting, most senior staff of the UK's Department for International Development (DfID) were busy preparing a new White Paper on development policy to reflect the concerns of the new Labour government. When this White Paper appeared, it gave the eradication of poverty absolute priority in

British development policy ('Eliminating world poverty: a challenge for the 21st century', November 1997). This official British position presumably now corresponds with that of several of our commentators: that WDR97 pays insufficient attention to issues of poverty and inequality. A more radical position is taken here by Leen Boer, a senior Dutch aid policy adviser (Box 3). He suggests that aid donors should not support any view about the role of the state in development that does not take the elimination of poverty as the over-riding, immediate, direct objective of public action. There are two ill-defined polar positions here in a debate that has not yet been seriously joined. The position implicitly embodied in WDR97 reflects what has been an orthodoxy within most aid and development agencies for about half a decade: that many poor countries have serious, distinctive governance problems and that helping resolve these problems – whether by providing more reliable and accessible policing, legal, penal and judicial services, improving the performance and accountability of government agencies, or reducing corruption – will have direct, tangible, positive impacts on the standards and quality of life of the poor, without need for specific targeting. The World Bank played a major role in promoting this governance agenda, but has plenty of allies within bilateral aid agencies. Most bilateral aid agencies have been reorganised within the last five years such that governance issues, defined and labelled in a range of ways, are the responsibility of distinct and relatively influential divisions within the organisation.

The alternative view is that aid donors should only be interested in governance issues to the extent that their resolution would make a direct impact on the

Box 3 A Missed Opportunity

Leen Boer, Senior Advisor on International Cooperation, Strategic Policy Orientation Unit, Netherlands Ministry of Foreign Affairs¹

Poverty reduction is the overarching objective of the World Bank. This is not obvious from a reading of WDR97. Though poverty reduction is mentioned at times, it is far from being part and parcel of the analysis and prescription; it receives attention in relation to the provision of basic social services and the protection of the vulnerable. In the latter case, the analysis in the Report is clear: until now, developing country governments have been wrestling with the fundamental function of protecting the vulnerable; they have experimented with a variety of social assistance measures, ranging from programmes that provide cash assistance, to price subsidies and labour-intensive public works. In many countries, however, such programmes have failed to protect the vulnerable; they have, instead, resulted in the transfer of resources to elite groups, sometimes with fiscally destabilising consequences. No concrete advice is given in the Report as to how governments with weak institutional capability could better go about the task of protecting the vulnerable.

'Over the long term, rapid growth and investment in people will cut poverty dramatically' (p.54). Yet, poverty reduction is not a topic in the chapter on economic management by the state. That is strange, because the first element of the two-part strategy to reduce poverty, as put forward in the 1990 World Development Report on poverty, was 'to promote the productive use of the poor's most abundant asset – labor', in order to realise broad-based economic growth. There is no mention at all in the relevant chapter in WDR97 of a more activist role of government in ensuring a more pro-poor pattern of growth. It has recently been pointed out, in other World Bank publications, that measures can be taken to maximise the benefits the poor receive from economic growth, by including the poor in that growth.² This question should have been treated in WDR97. It represents an

important issue, even where resources are limited and institutions are weak. Weak states, too, have to make choices about where to invest their scarce resources for roads or for agricultural extension.

The approach to the state in the WDR97 is very economic and rather technocratic. Insufficient attention has been paid to non-economic tasks of the state, to its political dimensions, and to the power and interest groups behind the state. Most of the discussion of power is in a separate chapter at the end. This imbalance reduces considerably the practical value of the Report. The World Bank's mandate is often said to prohibit the involvement of the Bank in political issues. Still, politics is at the core of development and of the state. So, an adequate **analysis** of the political context of the World Bank's activities, be it investment or advice, is crucial for its development effectiveness.

Formally a World Development Report is not a World Bank policy paper. It is a think-piece. It is safe to assume, however, that WDR97 reflects the beginning of a re-discovery of the state by the World Bank. That is a gain. However, the lack of attention to poverty reduction, especially regarding the state's role in economic management, and its one-sided economic and technocratic focus, make the WDR97 a missed opportunity.

¹ This box reflects the author's personal views, and not those of the Netherlands Ministry of Foreign Affairs. The text is based on the author's review of the WDR97 in **Third World Quarterly**, Vol 18 No 5, 1997.

² World Bank, 1996, 'Taking action for poverty reduction in sub-Saharan Africa: report of an Africa Region task force', Washington, D.C. See also: World Bank, 1996, 'Poverty Reduction and the World Bank: progress and challenges in the 1990s', Washington, D.C.

alleviation of poverty; poverty comes first. Although the debate has not yet been held, one can see the outlines of a compromise position: that poverty concerns should perhaps receive absolute priority where recipient governments are themselves in reasonable shape, but that tackling governance issues, without any explicit targeting for direct, preferential impact on the poor, may be a much better way to help the poor in those countries where government does not fulfil its basic functions, and an effective state has to be (re)created. It would be very unfortunate if the new British White Paper were to signal and help bring about yet another policy flip on the part of the aid donors, and the governance agenda, not yet a decade old, were to be junked in favour of the next fashion.

(iv) Does globalisation make a difference?

WDR97 is titled 'The State in a **Changing World**' (emphasis added). It contains recurrent reference to that bundle of changes that we tend to package under the label of 'globalisation'. Yet several of our commentators (Andrea Cornia, Nicholas Hildyard and Alex Wilks, Mick Moore) question whether the Report takes adequate account of the consequences of globalisation. It certainly represents the orthodox view that globalisation implies the need for more inter-state cooperation to reduce instability and to tackle global level problems like environmental pollution (Chapter 8). The Report's critics make two main points about the implications of globalisation for **national** governments. One is that globalisation implies a more volatile, risky economy, and a greater consequent need for activist states to protect both their citizens and their economies against the worst consequences of this volatility – and in the process preserve their own legitimacy (see Rodrik 1997). The other is that the concern still implicit in WDR97 about 'overweening states' may be dated: a defining feature of globalisation is the increased power of controllers of mobile international capital in relation to governments. Governments appear to be losing power. Have we once again achieved something of a consensus on a public policy issue just at the moment that the world has moved on and the nature of the problem changed radically?

(v) Does the Report take adequate account of the international dimensions of governance in poor countries?

One of the potential disadvantages of the current

obsession with the nature and consequences of globalisation is that serious discussion of many of the **other** international dimensions of development issues – a discussion as old as development studies itself – may fall by the wayside. There is a widespread understanding, at least among academic social scientists, that we tend consistently to underplay these international issues because we face a linguistic and conceptual trap: we know how to categorise and talk about the world in terms of countries, and in terms of a distinction between 'internal' or 'domestic' and 'international' issues. Built into our language is the assumption that the 'domestic' is 'normal' and that the influence of 'international' factors is secondary or peripheral. We do not know how to talk about the world in a way that recognises the permeability of 'national' societies, economies and politics, and the artificiality of the distinction between 'domestic' and the 'international'. At the very least, we need to make a consistent effort to remind ourselves of this bias and to try to correct it. Several of our contributors – Mick Moore, Alice Sindzingre, Oda van Cranenburgh – believe that effort was not made in producing WDR97. The Report operates in terms of the conventional distinction between 'domestic' and the 'international'; and the 'international' dimensions of governance are treated in a separate, thin, chapter (Chapter 8). The inference is clear: governance problems in poor countries are primarily to be understood as 'domestic' problems with 'domestic' causes and 'domestic' remedies. There is no place on the WDR97 agenda for any proposition that causes or solutions are to be found to any significant degree in the aid relationship, or in inequality, dependence and exploitation between nations.

(vi) Does the Report deal adequately with the political dimensions of the state and governance?

Given that most of our commentators are academic political scientists, it was virtually inevitable that they would collectively award the WDR team low marks on this question. Mick Moore tries to shift the perspective a little by awarding political science itself a low score for coherence and authoritative-ness. He argues that there is no agreed scientific core to political science in terms of concepts, methods or even basic understandings of the nature of the state, and suggests that, by attempting to take a view on any of these issues, the World Bank

Box 4 A View from Denmark

Ellen Margrethe Loj, State Secretary, Ministry of Foreign Affairs, Denmark

WDR97 correctly states both that the state can play a determining role in economic development and that state structures can vary between countries with more or less similar living standards. This can be illustrated by the high living standards in the Scandinavian countries, which have strong welfare states, while some of the newly industrialised economies in South East Asia have achieved almost comparable living standards with quite different state structures and much smaller public sectors. Apparently, no single path to development can be found, and a high level of economic development can be achieved under different state formations and with varying degrees of public sector involvement in the economies.

Seen in this context, WDR97 contains a wealth of information and material. Moreover, the general approach, with a focus on how to make the state institutions more effective and on 'reinvigorating state institutions', implies a courageous break with the polarised discussion of state versus market in the 1970s and 1980s.

The question is, however, how far can we go in generalising from the individual case analyses in the Report. A challenging question is, of course, how far success stories can be transplanted to countries with

a less effective state apparatus and, perhaps consequently, slower economic growth. This question could be relevant, for instance, to several countries on the African continent. Part Four of the Report on 'Removing Obstacles to Change' makes an attempt to address this question but, it seems, inadequately. I will briefly cite two examples. First, the Report offers a perspective on the effectiveness and economic efficiency of the state, while the political level is only reflected indirectly. Consequently, the Report probably underestimates not only the role of different political interests, but also the potential political opposition to reforms. Second, most observers agree that any successful reform must be located in the local institutions, and that reform failures can often be explained by insufficient understanding of local conditions. However, the Report does not provide any systematic analysis of the role of local institutions, nor of the importance of local norms and culture. In designing and implementing public sector reforms, both issues must be considered carefully.

The WDR97 has put important questions on the agenda, but we must realise that our understanding of several issues is still inadequate. Therefore, the discussion on the role of the state must continue.

inevitably opens itself to trenchant criticism and raging dissent. There is a certain amount of both from most of our contributors. In attempting simply to categorise the various critiques, we risk drawing that criticism upon ourselves. Here goes.

Several of our contributors assert that the WDR team have their political analysis wrong in some particular respect: that they underestimate the contribution of income equality and effective public anti-poverty interventions to the legitimacy of states, and, thus, to the quality of governance (John Martinussen, Andrea Cornia); that they fail to appreciate the character of states built on personal rule

(Alice Sindzingre); that they deal inadequately with the issue of the autonomy of states in policymaking (Oda van Cranenburgh); and that they miss an opportunity to explain how corruption can be organised to minimise the adverse effects on economic development (Mick Moore). There are, in addition, three broader, main lines of attack on the political analysis in WDR. They are organised here in ascending order of radicalism:

- John Martinussen and Oda van Cranenburgh in particular argue that WDR97 in various ways fails to understand politics and attempts to reduce the task of governance to something that

is essentially technical and administrative, blocking out the political (see also Box 4). Both are essentially addressing bilateral aid donors who, unlike the World Bank, are free to pursue explicit political objectives (accountability, democracy, human rights etc.) without having continually to defend their involvement in governance issues in terms of the beneficial consequences for **economic** policies and performance. Both Martinussen and van Cranenburgh indicate ways in which bilateral aid donors can involve themselves in attempts to improve governance in poor countries that are more overtly political and discretionary than anything the World Bank could contemplate.

- Nick Hildyard and Alex Wilks, representing a part of the NGO sector that keeps a close and critical eye on World Bank activities, make a kind of argument that would have been mainstream in academic development studies two decades ago, but now appears to have been exiled to the margins of intellectual life. It is in essence the case that WDR97 contains an implicit agenda that reflects one of the dominant components of the processes we label globalisation: the increasing power of controllers of capital in relation to governments. That agenda is to help entrench corporate power and influence over governments, and to help restrain the democratic influence of citizens and civil society organisations. The 'participation' that the Report recommends is in practice 'engineering consent'. The mechanisms it proposes to make states more effective are likely to make them more effective in the interests of capital – and of the World Bank itself.
- Neither of the two previous critiques departs from the normative framework that governs most contemporary debates about governance, development and the state: the assumption that there are serious deficits in respect of democracy, accountability and legitimacy, and the belief that attempts to enhance citizens' influence over the state should be core components of any strategy to make states more effective – subject only to concerns that some economic policy decisions might have to be made in relative insulation

from popular pressures. Alice Sindzingre is an Africa specialist. Her paper focuses on the implications of personal rule. Let us present one of her conclusions in her own words: 'An important task is to encourage weak governments based on personal rule to focus on building durable political institutions and on assuring the insertion of their countries in the world economy – and for them to see this as being in their interest – rather than fixating on domestic political considerations related to problems of legitimacy.' In the current intellectual climate, it is radical to suggest that the best path to 'political development' and improving state effectiveness lies in working with political elites, paying attention to their motivations and perceptions, and in building up the authority and coherence of state and political institutions, without worrying too much about issues of democracy or representation.³ The World Bank could not get away with publicly advocating any such strategy. However, as Alice Sindzindre points out, this appears to be the strategy that the operational departments of the Bank are actually pursuing, at least in Africa.

References

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- Kelman, S., 1988, 'Why public ideas matter', in R. B. Reich (ed.) **The Power of Public Ideas**, Cambridge MA and London: Harvard University Press.
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³ Academic political scientists will recognise this division as a re-run of 1960s debates within modernisation theory, between more orthodox scholars who viewed democracy and participation as defining

components of political development, and Samuel Huntington's (1968) heterodox position that authority and institution-building were the key issues.