

**Rhetoric and Reality in the
World Bank's Relations with NGOs:
an Indonesian Case Study**

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January 2003

**A thesis submitted for the degree of Doctor of Philosophy
of the Australian National University**

Acknowledgments

There are many people to thank, they include my supervisors Jindy Pettman, Amrih Widodo, and Michael Hess. My earlier supervisors, Brian Cheers and David Lundberg. I thank my colleagues within the Department for offering me support and coffee at crucial moments, in particular Bina D'costa. I thank the many busy people who I interviewed for this research and who gave their time willingly and freely.

I dedicate this thesis to my family. Their constant support and love inspired me and made the journey worthwhile. For my husband Paul Hehir, and my children, Thomas (10years) and Emma (4years), and to the memory of Maple Hehir.

Statement of Original Work

I, Bernadette Mary Whitelum, declare that this thesis is an original work.

Signed: _____ Date: _____

Word Count: 93, 647

Abstract

The World Bank is one of the most powerful institutions in the world. And it is charged with some of the world's most important goals, at least in rhetoric. The World Bank's mission is "*A World Free of Poverty*". World Bank rhetoric now sees the institution embrace such goals as 'poverty alleviation', 'environmental sustainability', 'gender-mainstreaming', 'good governance', and 'partnerships for development'. These claims demand critical analysis so that the reality of the Bank's agenda and work can be deciphered from its rhetoric. To that end, this research critically examines the World Bank's rhetoric and strategies for engaging NGOs in what it describes as a 'partnership for development'.

The World Bank, in the past two decades, has been at the receiving end of an increasing critical commentary, much of which emerges from the Non-Governmental Organisations (NGOs). In response the World Bank has started opening its doors, slowly at first, and then with increasing rigour, the Bank sought to intensify its dialogue with NGOs. Its tone is conciliatory towards NGOs, giving the appearance of an institution that is willing to learn, willing to be moved, and willing to transform itself.

This thesis analyses literature and primary research gathered from fieldwork experience in Indonesia. In exploring the case study I unearth the ways in which the continuing neo-liberal development agenda of the World Bank drives its NGO engagement strategies. I discuss questions such as, do dialogues with NGOs produce change to the World Bank and its development agenda, and if so then what is the nature of those changes? Might the building of relations with the World Bank cause NGOs and their agendas to be transformed whilst the Bank remains relatively unchanged? What is the gendered context of the relationship and how does this reinforce unequal relationships? The Indonesian case study provides the terrain upon which these questions will be explored. Exploring these questions makes evident what can be expected from the World Bank of its engagement with NGOs, in process and outcome. This, in turn, illuminates the agendas open for change and transformation at the Bank, the contested agendas, and the fundamental, non-negotiable and immutable agendas. In conclusion, this thesis reflects on the possibilities for change in the future.

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INTRODUCTION

Why choose the Bank as an object for interpretation? Because, like the proverbial mountain, it is very much there; it is an institution that has successfully reproduced itself and prospered since the Second World War, constantly increasing its physical size, extending its economic grasp and augmenting its political power... Even if the philosophy of such an institution has never been stated systematically or set forth in a single text, it is still there to be unearthed and made manifest. (George & Sabelli, 1994: 3 & 5).

The World Bank's mission statement reads:

Our Dream is a World Free of Poverty.

The World Bank's reach extends across the 'Third World', through the states of the former Soviet Union and into China. It is one of the most powerful institutions in the world today. It influences the political and economic landscapes of countries that fall within its spheres of influence, and it directs the global development agenda, though not without resistance.

The World Bank's prescriptions for the problems of 'under-development' have yet to prove their worth. In over fifty years those prescriptions have not come close to their proclaimed aim of ridding the world of poverty. Such an outcome leaves one to question the viability of both the institution and its 'development' formula. In seeking to probe the World Bank one is confronted with the need to understand the ideological foundations that its prescriptions rest upon. Such a project is made difficult by the institution's penchant for shrouding itself in

benign and seemingly impartial rhetoric that avoids naming its own ideology. In the last decade the rhetoric has shifted to embrace such phrases as ‘poverty alleviation’, ‘gender-mainstreaming’, ‘good governance’ and ‘partnerships for development’. The rhetoric serves to obscure the ideological foundations that are made manifest in its prescriptions. However, the rhetoric can be de-constructed and challenged by examining the realities of the World Bank’s work as it occurs on the ground. Such deconstruction throws light upon the World Bank’s ideology and interests.

World Bank policies reveal an ideology that is distinctly neo-liberal in its economic foundations, and increasingly in its political orientation (see Chapter 2). Much of the work of the Bank¹ in the decades since the eighties ‘debt-crisis’ has been dictated by the Washington consensus. The “Washington consensus”, and its more recent incarnation as the “post-Washington consensus”, promotes the ascendancy of capital through the free market. The state and other institutions have been subordinated to the ‘imperatives’ of the free market through the neo-liberal economic agenda and are encouraged and compelled to follow its prescriptions. Nowhere is the World Bank’s neo-liberal ideology, presented in the form of a “development agenda”, made more evident than in structural adjustment loans. These loans offer monies to governments in exchange for their commitment to restructure their economic landscapes (with significant political ramifications), in line with neo-liberal policy prescriptions. The Bank promises that such “adjustments” will eventually bring poverty alleviation. Yet the

¹ Throughout the thesis I often employ the “Bank” as a shorthand reference to the World Bank.

evidence that Washington consensus style neo-liberalism can achieve “*A World Free of Poverty*” is unconvincing. As the nineties wore on it became clear that Washington consensus compelled policies have not lived up to their promises, the experiences of sub-Saharan Africa and the transition to capitalism throughout Eastern Europe furnish plenty examples of abject failure (Fine, Lapavistas, Pincus, 2000). One is left to wonder when, or if, the Bretton Woods institutions (the World Bank and the International Monetary Fund) will acknowledge the failure. They have tended to argue that the agenda itself is not to blame; rather, that governments have not implemented the agenda rigorously enough. Indeed, the post-Washington consensus that promotes institution building and good governance was constructed on these arguments. Hence, the neo-liberal agenda claims even more time to prove its worth. This begs the question, how long do the people of Third World keep waiting? From the proponents of the neo-liberal development agenda and the World Bank there appears to be no answer. This does not satisfy many who wait, particularly given that the Bank’s ‘development’ agenda encourages the accumulation of capital in the hands of the few already wealthy elites – an apparently necessary requirement for economic growth according to the neo-liberal economic model (described in Chapter 2). The evidence that such a model can eliminate poverty, inequality, oppression, exploitation, and marginalisation is difficult to distinguish yet entirely necessary to any justification for the Bank’s chosen neo-liberal economic model and indeed, the Bank’s continued legitimacy.

Among those who have sought to reveal the implications and consequences of the World Bank development agenda are many non-governmental organisations

(NGOs), staffed by academics, activists, and practitioners. Their critiques often challenge the World Bank, its ideology and its motivating interests. NGOs from the ‘developing’ and ‘developed’ worlds have, particularly in the last two decades, often worked together to disseminate their information and lobby for transformation of the Bank. However there are many NGOs that are comfortable with the Bank’s development agenda and indeed seek to further it. It may be that they are convinced of the economic arguments that underpin the Bank’s prescriptions, or they may have their own interests served by furthering that agenda. Other NGOs are critical of aspects of the Bank’s development agenda and seek to modify it in order that it better address specific needs or interests. Diversity also exists in how NGOs and the staff who work for them respond to their understanding of the Bank. Some insist that the Bank is so wedded to its neo-liberal development agenda that it cannot be moved through negotiation, hence it can only be stopped by its de-commissioning. Believing this to be extremely unlikely, other NGOs work together in negotiation with the World Bank, arguing that through such encounters the Bank will learn and therefore be changed. Of course these are not the only positions NGOs hold, but they do summarise the plethora of contentions, positions, and debates that the World Bank has generated amongst NGOs.

In response to the rise of NGOs and increasing critical commentary over the past two decades the World Bank started opening its doors. Slowly at first, and then with increasing vigour, the Bank sought to intensify its dialogue with NGOs (Kapur, Lewis & Webb, 1997). The commitment to NGOs gained momentum when James Wolfensohn was made President in 1995. According to its rhetoric,

as will be demonstrated in chapter 2, the World Bank seeks to work together with NGOs to achieve their shared goals of poverty alleviation, good governance, women's empowerment, and numerous other objectives, (Wolfensohn, 1998a). The World Bank claims that these outcomes will more likely be achieved in a 'partnership for development' with NGOs. The Bank's rhetoric here is a distinct move away from its defensive position in the eighties when it attempted to argue the merits of its economic policies alone. Its tone is conciliatory towards NGOs and it gives the appearance of an institution that is willing to learn, willing to be moved, and willing to transform itself.

This research aims to shed light on a crucial question: can the Bank be transformed into an institution that becomes more accessible and responsive to its critiques through its engagement with NGOs? It seeks then to dispel the clouds of rhetoric shrouding the Bank's agenda and outcomes. It does so in part to trace the context around the Bank and its role, and in part to assess the risks and benefits of World Bank engagement for those NGOs that seek transformation of the Bank's development agenda. In researching the World Bank's actual relationship with NGOs as it is manifest 'on the ground', I intend to demonstrate the points of congruence, and the points of departure, between the Bank's rhetoric and reality in engaging NGOs. This then will make evident what can be expected from the World Bank - in terms of transforming its processes, agenda, and outcomes - from its engagement with NGOs. I want to contribute to the body of knowledge that contemplates the realities of the World Bank's presence and questions its claims to know the way out of poverty and powerlessness for a majority of the world's population.

I have chosen to focus on one particular aspect of the Bank's agenda – its developing relationship with NGOs – for two related reasons. Firstly, I believe it is the work of some NGOs that has the potential to transform the World Bank into an institution that is more amenable to change, is increasingly motivated by its declared goals, and questions (and perhaps resists) the influence of vested interests and neo-liberal ideology. Transformation entails the significant reconstruction of the Bank's structures of control and power (particularly voting powers), a development agenda informed by the experiences and understandings of people in poverty rather than by neo-liberal ideology, and internal processes that support such an agenda. In order to pursue such transformation NGOs (and the many affiliated people and groups that often work with them), seek to understand where their interventions are best made and what strategies are most effective in making those interventions. This research therefore examines the debate over whether NGO interventions are best made through dialogue (as the Bank itself would suggest), or whether transformative outcomes are more likely to be realised through other means. Secondly, if the World Bank is seeking to dialogue with NGOs in order to temper their critique or to co-opt them into its own development agenda, as many NGOs suspect, then collaboration might have the effect of silencing or distorting the voices of dissent and critique. The potential of NGOs to influence and transform the Bank is therefore stifled. Clearly, the Bank is in need of fundamental transformation in order that it live up to its rhetoric of "*A World Free of Poverty*". For reasons that I elaborate in this thesis, I doubt that such objectives can be realised within the Bank's current neo-liberal economic framework.

In order to hone in on the World Bank's strategy of engaging NGOs I conducted a case study which enabled me to get 'up close and personal' to view the relationship that the World Bank has with NGOs in the country of Indonesia. I was able to explore the complexities of the dialogues and issues between the World Bank and NGOs and peel back the many layers of Bank rhetoric. Thus I gained insights into how (in Indonesia at least) the dialogue works, what its boundaries are, where the power bases lie, who the players are, and what the issues are. What's more, I came to understand the gendered construction of the relationship between NGOs and the World Bank and what this signifies in terms of relationships of dominance and subordination, and the potential – or otherwise – for the Bank to make real its promises for gender justice.

I chose Indonesia for my case study for two reasons. Firstly, Indonesia is one of the World Bank's biggest creditors and has enjoyed a close relationship with the institution since 1967. The Bank's prominence in Indonesia, both in terms of influence and credit granted, make it a considerable unit of the World Bank and an important contributor to its portfolio. Hence what occurs in Indonesia, the way it makes real and authenticates or exposes World Bank rhetoric, can provide insights into the ability and will of the entire institution to do likewise. Secondly, the World Bank long pointed to Indonesia as proof of the success of its development model, particularly when it was under attack from critics. Indeed, the Bank heralded the Indonesian economy as a 'miracle', until the devastating economic crisis that hit Indonesia in 1997/98. The economic crisis led to a political crisis that saw Suharto ousted from his 32 year Presidency. Thereafter a

hopeful though fragile era of reform began. The unravelling of the political fabric revealed a system corrupt to the core, whilst the continuing economic crisis challenged the very legitimacy of the World Bank's development agenda. The World Bank stood accused of not only propping up but also encouraging the Suharto regime's corruption and repression. Politically active NGOs and activists had directed such accusations at the Bank well before the 1997/98 crisis, but the regime had stifled their voices and the World Bank had ignored them, keeping their doors closed to the NGO sector. The crisis and the post-Suharto era changed these dynamics. The NGO sector was liberated from domestic repression and hence the World Bank was no longer shielded from NGO criticisms.

The Bank was in crisis in Indonesia and needed to change. Having resisted the more holistic development agenda that had been evolving at the Bank head quarters (as discussed in Chapter 5), including its strategy of engaging NGOs in dialogue, the Bank in Indonesia was now seen to embrace that agenda. New staff and programs led the rhetoric espousing the Bank's goal of poverty alleviation and NGO collaboration. Suddenly, NGOs were invited to participate in various dialogues in meetings and forums, for example, regarding the social safety net programs and the Bank's Country Assistance Strategy for Indonesia. Since the crisis the Bank has appeared to make serious efforts to transform the way it does business in Indonesia. This distinction between the pre and post-Suharto eras – both for Indonesia and for the World Bank in Indonesia – give the study useful contrasts and distinct time framing. The contrast amplifies incongruence between the World Bank's rhetoric on engaging NGOs in a collaborative effort to reach

presumably shared goals, and its practice, thus making it a compelling case study for this research.

In exploring the case study I have commented upon how far the new strategy of NGO engagement in Indonesia has impacted upon and begun a transformation of the Bank. I address the issue; can dialogues with NGOs produce change? And if so then what is the nature of those changes? What is the gendered context of the relationship and how does this reinforce or shift unequal relationships? Will the building of relations with the World Bank cause NGOs and their agendas to be transformed whilst the Bank remains relatively unchanged? The Indonesian case study provides the terrain upon which these questions will be explored.

Chapter 1 articulates the aims of this thesis and details my research design and methodology. In this discussion I outline the theoretical orientation and interdisciplinary context of the thesis, detail my research methods and techniques, provide the rationale for selecting specific research tools, and provide definitions for terms that I commonly employ. Chapter 2 overviews the history of the World Bank, particularly the last decade that has seen NGOs sharpen their critique of the Bank and the Bank's evolving response by way of opening dialogues with them. Chapter 3 opens the discussion on the Indonesian case study by examining a brief history of the nation since its independence in 1947, with a particular focus on the impact of the Suharto regime. This chapter also locates the World Bank's place in Indonesia's history. Chapter 4 introduces the Indonesian NGO sector by examining its recent history and by exploring broad categories or types of NGOs. It also paints a portrait of the Indonesian NGO sector as seen by the

World Bank staff whom I interviewed. Chapter 5 presents further research results to detail the pre and post crisis relationship between NGOs and the World Bank and looks at the different perspectives on why the Bank opened its doors to NGOs. This chapter also explores the various forums where NGOs and the World Bank have met in dialogue since the crisis. I analyse the purpose, impacts and outcomes of those forums to examine what they tell us about the Bank's strategy of NGO engagement. Chapter 6 delves into the most significant controversies that continue to plague the relationship between the World Bank and NGOs in Indonesia and examines how these issues impact upon the World Bank's strategy for engaging NGOs. Chapter 7 then considers gender matters and examines how the World Bank understands women's oppression and the rhetoric it employs to promote itself as a leading 'woman friendly' development institution. The reality, as the Indonesian case study reveals, is far from the rhetoric. In addition to the Bank's abandonment of gender mainstreaming, this chapter also demonstrates how the Bank employs gendered scripts to establish a relationship of dominance over NGOs in Indonesia. The Conclusion draws upon the critical analysis of World Bank/NGO relations in Indonesia to understand the purposes that the NGO engagement strategy serves for the World Bank. It makes comment upon the usefulness to NGOs of this strategy, particularly in relation to the agendas of different types of NGOs, and to the possibility of seeking transformation of the World Bank's ideological foundations and the programs that flow from it.