

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

By Bernadette Whitelum

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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.

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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.

CHAPTER 1 - THESIS AIMS AND RESEARCH METHODS

This chapter firstly presents the thesis aims and purpose. It then explains how these aims are realised, beginning with an exploration of my critical theoretical orientation and disciplinary context. Thereafter I present my research methods including how I established and collected a data base, the recording and storage of data, how I present the data in the thesis, and the boundaries to my research area. The chapter then defines some of the key terms that I use throughout the thesis.

Thesis Aims and Purpose

This thesis critically explores the efforts by the World Bank to engage non-governmental organisations (NGOs) in dialogue, in order to unearth the politics surrounding this particular strategy. It interrogates the World Bank rhetoric of working in partnership with NGOs, drawing extensively on interviews and related documents and in conversation with relevant literature, to reveal the limits of NGO participation at the World Bank and assess the Bank's motive for pursuing this strategy. Indonesia is a very important test case for the strategy given that the World Bank's office there is sizeable and that the engagement of NGOs became so vital in the post-Suharto era. The case study therefore explores the Bank's NGO engagement strategy there and its outcomes. The perspectives of NGOs and World Bank staff regarding the process are surveyed in order to generate deeper understanding of the World Bank's position on NGOs and their role in the Bank's development agenda. An exploration of the Indonesian case

enables me to reflect upon the World Bank's global efforts to engage NGOs in dialogue.

This thesis engages critically with research and literature, and makes substantial use of primary research, to inform its explorations and conclusions. It has as its aims:

- To position the World Bank's strategy of engaging NGOs in dialogue in a historical and political context.
- To give a detailed account of the relationship between the World Bank and NGOs in Indonesia as a case study.
- To explore the perspectives of both NGOs and the World Bank regarding the relationship, and to explore the controversial issues that exist between them.
- To critically analyse that relationship and its development in order to understand its nature, limitations, and future potential.
- To unearth the politics surrounding the World Bank's strategy of engaging NGOs in Indonesia.
- To distil the rhetoric of the World Bank regarding dialogue with NGOs from the reality as it plays out in Indonesia.
- To employ the case study and literature to reflect upon and draw conclusions regarding the World Bank's strategy of engaging NGOs more generally.

In reaching these aims this thesis comments upon economic, political, gendered, and ideological constructions within the World Bank and also, to a lesser extent, within Indonesia. I unearth the ideological constructions within the World Bank

that are often made invisible or obscured by Bank rhetoric and explore the interests they serve. This, in turn, provides critical insights into the ways in which those constructions form the basis of its relationship with NGOs.

Theoretical Orientation

This thesis utilises a critical theoretical perspective and embraces feminist critiques that seek to take account of broad economic, social, gendered, and political environments. Sarantakos (1993) states:

Critical science sees in social research the goals of removing false beliefs and ideas about society and social reality, perceives humans as creative and compassionate humans beings...capable of assigning meaning to their world and act on it to change it...and is critical of the power systems and inequality structures that dominate and oppress people in societies.

The World Bank increasingly possesses immense capacity to influence those power systems and structures that maintain global and regional inequality, poverty and marginalisation. As a critical analyst I strive to reveal knowledge that is veiled and question assumptions that are taken for granted with the hope that the insights I bring can be used to transform oppressive and unjust systems, relations, and ideas. Critical social science emphasises power - where it is located, how it is used and to what end – paying attention to issues of representation and voice. In particular, it brings into focus those marginalised and oppressed groups whose lives and livelihoods are so deeply affected by intensifying globalisation and the policies of international financial institutions,

including the World Bank. Critical theory does not have faith in the supposedly value-free scientific methods of research to produce social change, but rather embraces research and understanding because of its usefulness to the project of emancipation and economic, political and social transformations.

This thesis relies upon a broad critical sociology that:

... Sees its task largely as one of 'unmasking' – showing in particular the discrepancy between the formal values and goals of contemporary institutions and their actual practices. Thus the market is formally 'free', bureaucracy formally 'rational', and the political system formally 'democratic'. But in no case do any of these institutions live up to the promise of their formal principles. By constantly subverting society's self-regarding ideologies, and repeatedly confronting it with the unpleasant truth about itself, it hopes to stimulate a critical awareness that might lead to the desire for change. (Bullock & Trombley, 1999: 185).

In this context this thesis 'unmasks' the World Bank, separating its rhetoric from reality to seek the truth about its relations with NGOs.

I employ feminist critical analysis to reveal gendered relations of domination and subordination across social, political and economic landscapes. Feminist analysis foregrounds gendered social constructions, and reveals relations of subordination and domination manifest in them, with the objective of transforming those relations for the liberation of women and far more equal social relations generally. A great deal of social research tends to ignore feminist critiques, separating them into a separate, and often subordinate disciplinary unit. However

it is my contention that critical social research needs to take on board feminist critiques as a matter of course in order that it be true to its goal of transformation of unjust and oppressive power relations. Feminism can furnish the critical researcher with a vital lens through which s/he may better understand the social world. More specifically, I have taken a de-constructionist approach to my feminist analysis. This approach interrogates World Bank development doctrines and strategies to de-construct many of the assumptions and concepts to expose their impact on differently located women (particularly in terms of class and race), and the doctrines' underlying gendered scripting. Gatens puts it thus:

Feminist theorists do not go to Marxism or liberalism hoping for 'the answer' or 'the solution' to 'the woman question' but... will approach dominant theories, and their implicit biases, as themselves part of the problem. For this reason it seems appropriate to name these contemporary feminist approaches to dominant socio-political theories 'de-constructive'. (Gatens, 1992: 121).

I begin my feminist de-construction from the position both that women and men are differently positioned in relation to the processes and projects in which the World Bank is engaged, and that those gender relations and gendered assumptions infuse the World Bank, NGOs, and the wider political economy of Indonesia.

Disciplinary Context

This thesis draws on critical readings in a number of related fields and pursues an interdisciplinary approach including international political economy and political studies more generally, feminism, and development studies.

From international political economy (IPE), I draw on literature pertaining to neo-liberalism and its hegemonic influence on and through the World Bank. I employ critical and feminist writers in order to understand and explore neo-liberalism, its economic and political dimensions, its global rise in the last three decades of the twentieth century, and its application in much of the Third World through the World Bank. I use these perspectives to examine the importance of political stability (in Indonesia's case this was achieved through authoritarianism) to the success of the neo-liberal development agenda of the World Bank. The field of IPE also furnishes vital perspectives in understanding the importance of the Indonesian economy to the West.

Some writers are especially important in this thesis, they include Susan George (2000), and George and Sabelli (1994), whose history of critical works on the World Bank's role in enabling the rise of and concentration of capital at the expense of many people throughout the Third World have proved invaluable. Also important has been the work of Catherine Caufield (1996) that interrogates, in great detail, the operations of the Bank to shatter carefully constructed illusions regarding the Bank's role and processes. Walden Bello's (1994; 1997; 2000a; 2000b) critical works on the World Bank in the context of international political

economy and development policy has both informed and inspired this thesis. Adding to my critical understanding of the World Bank and its history is Bruce Rich (1994) and the various publications of the '50years is Enough Campaign', that have, over the past decade, sought to transform or de-commission the Bretton Woods institutions. Especially helpful were the writings of Jeffrey Winters (1996; 2000) and his works on power relations and capital mobility in Indonesia, and on corruption and criminal debt. Jonathon Pincus (2000) sheds light on World Bank operations and the effects of the post-Washington consensus. In addition to these works I found the papers (variously authored), from a number of extremely useful and informative NGOs on the World Wide Web. These NGOs use the World Wide Web to network, educate and advocate for transformation of the international financial architecture. They include *Focus on the Global South*, a research and advocacy institute in Thailand and from where I draw critical IPE and development literature, (2002), and *Third World Network*, (2002). And two NGOs specifically focussed on providing information about the World Bank: the *Bretton Woods Project* (2002); and the *Bank Information Center* (2002).

This thesis also draws on literature from the field of development studies, particularly those that critically understand the development agenda of the World Bank and the dominant ideas on development embraced internationally. In this regard the work of Colin Leys (1996) on the history of development studies was particularly informative. As well, I look to those writers that furnish critical understandings of the location of civil society historically and in political theory, for example in the works of liberal enlightenment theorists. And also to those that locate the contemporary political and theoretical context of civil society. To

these ends I draw particularly upon the work of Ehrenberg (1999), Frankel (1983), Keane (1988a; 1988b), and Walzer (1992; 1995).

This research engages with literature pertaining to the politics surrounding NGOs, and their relations with various state, international, and multi-lateral actors. The uses and abuses of NGOs by development agencies, states, and the World Bank are surveyed in order to shed light on my own research findings. Writers that have shaped my critical understanding of NGOs in the development field include Schrijvers (1992), Hulme and Edwards (1996; 1997), Foley and Edwards (1996), and Fox and Brown (1998). These writers closely examine the role of NGOs, to unearth a diverse range of controversial issues that strike at the heart of the NGO sector including issues of representation, accountability, marginalisation and cooption. They also detail the complex relationships between NGOs and international development actors and states, and in so doing pay attention to the role of the World Bank. Paul Nelson's (1995) published findings of his extensive study on World Bank / NGO relations was also insightful. He discusses the limitations to the collaboration of NGOs with the World Bank.

From both political economy and political science this research thesis draws upon feminist perspectives and makes women and gender visible in political and economic theory and development practice. The writers that have been most useful to understanding my research are drawn from different, yet inter-related, locations within the critical feminist literature. Firstly, I draw on literature that pertains to the impact of development on women in the Third World, and the growth and change of gender and women's policies in development programs.

Critical theorists including Sen and Grown (1987), Nuket Kardam (1990; 1994), Cynthia Enloe (1992), and Caroline Moser (1989; 1991) inform this work. DAWN, a Third World NGO network that employs a critical feminist lens to advocate for change in development programming and planning has produced informative analysis (DAWN, 2002). Also, I employ literature on gender scripting to demonstrate the ways in which the relations between the World Bank and NGOs are gendered. To do so I rely on works such as Hooper (2000), Pettman (1996), Goetz (1997) and the collection of works edited by Marchand and Runyan (2000). Finally, my understanding of the women's movement and issues in Indonesia is drawn from such writers and works as Robinson and Bessell (2002), Oey-Gardiner and Sulastri (2000; 2002), Buchori and Soenarto (2000), Sadli (2002), Marcos (2002), and Khofifah Indar Parawansa (2002).

The modern political and economic history of Indonesia, particularly the influence and role of the Suharto regime, the economic and political crisis of 1997/98, and the reform era that followed, contextualise my critical discussion on the World Bank in Indonesia. Amongst those writers that I engaged with on Indonesia's modern history are Anderson (1972), Bourchier (2001), Cribb and Brown (1995), Legge (1972; 2001), Lev and McVey (1996), Liddle W (1973, 1999), McVey (1996a; 1996b), Schwarz (1999), Tornquist (1999; 2000), and the collection edited by Lloyd and Smith (2001a; 2001b). Looking more closely at the Indonesian civil society sector and NGOs, the edited book and other works of Budiman were useful (1990; 1994), as were the writings of Eldridge (1989; 1990), Hikam (1998; 1999a; 1999b), M.M. Billah (1994), Riker (1998), and the works edited by Ibrahim (1996).

Research Methods

Critical (and critical feminist) analysis invites the use of diverse research methods and, as I note above, intersects with numerous disciplines. The investigative nature of critical research constantly questions, interrogates, and probes in order to search for understanding. Critical researchers therefore gravitate toward the use of a qualitative methodology and focus on humans as the subject for research as they seek to interpret the social world (Shipman, 1997). Qualitative research is grounded in the interpretations of the experiences of people including how they perceive their experiences for themselves. In valuing human subjective interpretations, my research recognises that people assign meaning to the social world and the institutions that impact upon them. Therefore much of my research data is drawn from people in the World Bank and NGOs in Indonesia. It is the meaning they bring, together with other documents and literature, which provide the data that I critically engage with.

In order to obtain information on the World Bank's engagement of NGOs in Indonesia, I sought people who were willing and able to share their understanding of the particular institution and aspects of its wider relations. This necessitated engaging in dialogue with those most involved in both constructing and reflecting upon the World Bank's relations with NGOs. Through dialogues with World Bank staff and NGO representatives I generated a wealth of data and perspectives to inform this thesis. Although the voices of these people form my primary information base, I generated a secondary information base from a number of

relevant documents. In employing two different research methods - document analysis and interviews - I attempted to ensure that the research relied upon a variety of information sources and was inclusive of a comprehensive range of perspectives. The outcome has produced an information base that can be set in conversation with the literature to establish comparative and theoretical analysis that is relevant to this case.

- ***Collecting the Information/Data Base***

This section elaborates on the collection of my information/data base for critical analysis that was obtained using two methods of social inquiry: document analysis and interviews. The documents include reports, papers, statements, memos and so forth, from academics, NGOs, and the World Bank. I also rely upon a number of documents that are not readily or publicly available, including various reports and internal memos authored by World Bank staff (and which I can make available to readers upon request). I secured such documents from various interviewees within the World Bank and NGO sector. I have properly cited and included in the bibliography all the documents I use in my critical analysis². These internal World Bank documents help to illuminate perceptions held by World Bank staff towards the issues and towards NGOs more generally, but the interviews are at the centre of my analysis.

Interviews were employed to enable those who have first hand knowledge and

² I will detail later in this chapter how I intend to store documents that are not publicly available.

experiences of the relations between NGOs and the World Bank to put forward their perceptions of the issues in an open and relatively unstructured interview environment. I conducted detailed interviews with 7 World Bank staff and 20 NGO representatives from 18 different NGOs in Jakarta. The NGO representatives were drawn from a number of different kinds of NGOs, including both community development and advocacy NGOs. However, I conducted more interviews with advocacy NGOs because they have had the most to say about the World Bank in Indonesia and have been more closely involved with the World Bank through dialogues. I have constructed a brief profile of each NGO presented at Appendix 1. This thesis does not specify the names of NGO representatives interviewed in part because although the *reformasi* era has liberated NGOs from repressive laws, reforms have not been established and tested long enough to be confident that outspoken NGO representatives will be safe from discipline. Hence I protect the anonymity of interviewees, particularly when there is nothing to be gained in terms of research findings by exposing them.

The World Bank staff I interviewed were all senior staff members of the Indonesian country office (their positions are outlined in Appendix 2). Much of the information sourced from particular World Bank staff is also kept anonymous. At times particular positions are sighted when they are important to the subject matter. However, with the exception of the Country Director, no names are used. The prior knowledge that their names would not be used in this thesis enabled staff a more open and frank exchange with me in interviews. However there are times when I identify the Indonesian Country Director for particular comments he made in my interview with him. This interview was

openly recorded on audiotape, and the Country Director was well aware that his quotes might be used in this thesis.

The following section describes the process I employed for obtaining the data base, including the interview techniques and how data is recorded and stored.

After preparative reading I conducted a number of initial interviews with relevant academics in Australia. This gave me a preliminary understanding of the main issues for the World Bank and NGOs in their relations in Indonesia. I then selected and contacted representatives from some of the largest bi-lateral and donor organisations in Indonesia in order to hear their perspectives on the issues and to obtain their ideas on the most useful NGOs for me to interview. After these initial investigations I developed a list of NGOs, specific NGO representatives, and World Bank staff with whom I would seek an interview. In addition, I developed a list of the issues that, together with issues garnered from my literature review and my own research aims, I used to formulate an interview guide (see Appendix 3) for my interviews with World Bank staff and NGO representatives.

Subjects for participation in interviews were selected to ensure a broad representation from NGOs. The particular representatives sought had a good overall knowledge of the organisation and its functions, and the organisation's involvement with the World Bank if there was any. Therefore I mostly interviewed more senior staff from NGOs. I obtained lists of people and organisations to interview from a variety of sources. Especially helpful was one

of my supervisors, Amrih Widodo of the Australian National University, who has a long history of involvement with the NGO community in Jakarta. Once in Jakarta for fieldwork I sought the advice of the people I interviewed to add names and organisations to the list, employing a snow-balling technique to generate an interviewee list. By the end of my fieldwork trip and interviews interviewees were giving me names of people to contact with whom I had already spoken. This assured me that I had covered many of the most significant NGOs and their representatives. The World Bank staff list was easier to generate. Their names and positions were obtained initially from the internet, however I also received advice from other interviewees on who were important people to speak to at the Bank. More often these people were already on my list. I was unsuccessful in obtaining interviews with people on only a few occasions because of time constraints or for other practical reasons.

Interviews were semi-structured and hence did not follow a set format, rather the discussion was allowed to progress from one topic to the next. This enabled the interviewee to feel comfortable and free of restrictions in talking about the issues that were important to them. I used the interview guide (Appendix 3) to ensure the interviews remained focused and all relevant topics were covered. The interview guide did not interrupt the flow of the conversation; it acted to anchor it. Despite the use of the guide, there were times when interviewees did not discuss particular subjects, for example, there are some instances where the interviewee was not familiar with the issue and therefore could not respond. I was conscious of not wanting to lead the interviewee to focus on issues that they themselves had not identified as important. Where interviewees failed to discuss

particular issues I have noted this in presenting the data. The interview guide (at Appendix 3) gives a detailed account of the issues and types of questions covered in interviews. Throughout this process, and during my interviews with World Bank staff and NGOs, I sought any documents that interviewees may have pertaining to the various issues. Hence I accumulated a large store of information in the form of documents, much of it publicly available, but not all. I also obtained documents through libraries and the Internet.

- ***Recording and Storage of Data***

I recorded some of the interviews on audio-tape and took notes for other interviews. This was because the interviewee was not always comfortable to be recorded on audio-tape. The notes and tape recordings will not be made public for the sake of maintaining interviewee anonymity. Access to interviewee names and interviews will not be made available³.

- ***Data Presentation***

The presentation of this thesis does not follow the usual sequence of introduction, literature review, research methods, presentations of findings, and conclusions. Instead I have chosen a more discussion-based presentation. The various issues

³ Should a reader be interested in verifying data then they may contact one of my supervisors with a specific request. My supervisor will then access the raw data for verification and report back to the inquirer. The recordings and interview notes will be held in locked storage for seven years by my supervisor at the Australian National University in Canberra. I will also hold a copy of the data. After this time the interview notes and recordings will be destroyed.

and events that are important to understanding the World Bank's strategy for engaging NGOs guide the thesis direction. Hence I begin with important histories and ways of understanding the context and then move through the issues. In this thesis I do not have a separate chapter for a literature review, instead I weave the literature throughout the thesis, bringing in different fields and writers as the subject matter dictates. In the same way, I do not have a specific chapter for the presentation of all of my findings; rather I present the relevant findings throughout the thesis as it progresses from one subject to the next. Data from my fieldwork research is presented from the fourth chapter, after a discussion of contexts and histories, through to the seventh chapter. As I present each issue I also present the relevant research findings and then draw some preliminary conclusions that build towards the final conclusion.

▪ ***Boundaries***

This thesis concerns the World Bank and its relations with NGOs. It is not a thesis primarily about NGOs. Nevertheless, a discussion of NGO types and character in Indonesia is necessary for contextualising and understanding many of the issues. This is done in Chapter 4. I am aware that there is a plethora of literature pertaining to NGOs as a sector and, for example, their relevance to democracy, their role in international relations, and their ability to be representative and accountable. Whilst I refer to these issues and engage with literature on NGOs, it is within the context of the World Bank's perceptions of NGOs. Hence the focus remains on critically analysing the World Bank, not NGOs.

One of the limitations of this research is that there was simply not enough time or resources to research outcomes of the World Bank's relations with NGOs as they affect people living in poverty at the grassroots. It is, after all, in the name of poverty alleviation (as well as other related objectives) that the World Bank seeks dialogue with NGOs. This thesis is limited to the interactions and perceptions of NGOs and World Bank staff. Research into identifiable impacts on Bank supported projects, and their actual affects on people and environments, is another project. Although I begin the work of identifying the actual impacts of the World Bank – NGO dialogue on projects, particularly in Chapter 7, I recognise that there is more to this story.

Definitions of Terms

- ***“First World” / “Third World”***

I employ a number of terms throughout the thesis that require some definition and explanation. I begin with one of the most difficult concepts to find an adequate term for. Throughout the thesis I use the term “Third World”, and to a lesser extent “developing country” to refer collectively to those countries that are dominated by some of the most powerful countries and financial institutions in the world. I use the terms interchangeably at times, although I am not completely comfortable with either term, or the homogenising effect of collectively referring to a group of countries. I played with a number of other ideas, including that of

referring to the ‘majority’ world, however these ideas appeared cumbersome and made reading difficult.

The term Third World derives from the Cold War era to refer to those countries in Central and South America, Africa, the Middle East, and Asia (excluding Japan) and the Pacific Islands (excluding Australia and New Zealand) that experienced decolonisation, and/or deliberately chose a ‘third way’ over the First and Second Worlds (Evans & Newnham, 1998). They belonged to neither the First World (defined as capitalist liberal democracy) nor to the command economy Second World (Evans & Newnham, 1998). The legacy of colonisation remains throughout much of the Third World in the form of economic domination by Western powers and widespread poverty.

Although the Cold War is over, the term Third World is widely recognised as a reference to poor countries. However I find the distinction between rich and poor countries difficult to sustain given that the gap between rich and poor has also grown substantially within countries. Increasing poverty in the First World, and the enormous wealth accumulated by elites in the Third World, begin to make a rich/poor distinction on the basis of geography look weak. Hence I prefer to attach a less commonly employed meaning to the terms First World and Third World. In using the term Third World I mean those countries that are dominated by other more powerful countries, their subordination manifests politically and economically on the international stage. What’s more, Third World countries are often ‘poorer’ in that the proportion of their population that lives in poverty is, generally, greater. The term First World refers to those countries that dominate

global political, economic, and military decision making and whose cultural influence spreads in the process. These countries, led by the USA, have the largest economies and are home to the largest multi-national corporations in the world. Their governments mostly espouse the virtues of neo-liberalism and liberal democracy – even though their own democratic credentials are often questionable or at least limited. Throughout the thesis I also refer to First World countries as the richer countries.

- ***The “West”***

Another term that I employ throughout this thesis is “the West”. The term is derived from the term Western Christendom that refers to civilisations that have Christian origins and supposedly common socio-cultural characteristics. While originally referring to European civilisation, in contemporary usage the West refers to North America, Europe, and other settler countries such as Australia and New Zealand (Huntington, 1998). These countries (although not all of their citizens or populations) share a Western culture that, through numerous economic and political vehicles, penetrate and often saturate non-Western countries and hence have hegemonic qualities.

- ***“Authoritarian Regime”***

Throughout the thesis I refer to the Suharto-led Indonesian government as an “authoritarian regime”. Authoritarianism is defined as:

The theory and practice of forms of government in which subjects have few or no rights against their rulers and their rulers' authority is of indefinite scope. (Bullock & Trombley, 1999: 58).

Suharto led Indonesia's authoritarian regime for 32 years until 1998. A regime is a framework of rules, laws, policies, systems and players, coordinated to produce a desired outcome. A regime is dependent upon the interdependence between different players, policies, and systems to ensure a coordinated and united approach to governance (Bullock & Trombley, 1999). Suharto's role was pivotal in creating and maintaining Indonesia's authoritarian regime.

- ***“NGOs”, “LPSMs” and “LSMs”***

Many NGOs in Indonesia, since 1983, have preferred to be referred to as LPSM or LSM (*Lembaga Pengembangan Swadaya Masyarakat* or *Lembaga Swadaya Masyarakat*), which means 'self-reliant community support institution / self-reliant community development support institution' (Bunnell, 1996). This preference stems from a fear that the term 'non-government' may be perceived as 'anti-government' – a dangerous position in Suharto's Indonesia. Philip Eldridge (1990) notes that Indonesian NGOs during the Suharto period have tended to avoid being seen as overtly political. LPSM or LSM emphasises national and cultural characteristics and avoids political connotations. However M.M. Billah, coordinator for the Circle for Participatory Social Management (CPSM), criticises the adoption of the LPSM/LSM acronym on the grounds that:

The term LSM has for several years symbolised the hegemony of the state, which seems to have been accepted by the NGOs themselves. (Billah, 1994: 164).

He argues that NGOs have allowed the discourse of the state to dictate how they identify themselves. Indeed in the post-Suharto period it is evident that the term NGO is more widely used than previously. In agreeing with M.M. Billah's position, and because the term NGO is widely understood both within Indonesia and internationally, I prefer to use the term NGO throughout this thesis.

- *NGOs and Civil Society*

I take up the issue of the difference between NGOs and civil society in the following chapter. However, I would like to point out at this stage that they are not the same. NGOs are a sub group of the broader category of civil society. NGOs are non-profit organisations that are not seeking government office (ie. they are not political parties) and are governed by a board. NGOs include interest groups, pressure groups, advocacy organisations, charitable organisations, and a range of community service delivery organisations. They do not include other civil society groups such as the media, labour unions, and organised religions. In some literature the term civil society is used interchangeably with NGO, or civil society is used to describe a group of organisations that are really NGOs. The interchanging between the two terms was commonplace in my interviews with World Bank staff. Indeed the World Bank Country Director in Indonesia revealed that in all practical senses its office took civil society to mean NGOs. Although in theory it was understood that civil society was a much broader category, in

practice, NGOs were commonly sought to represent all of civil society. The Bank's exclusion of a range of civil society groups from their dialogues has its own consequences. I do not delve into this exclusion and its ramifications in depth due to the need to constrain the subject matter. In terms of the research itself, the exclusion also meant that I had to re-orient my initial plan so as to take this into account. My initial intention had been to understand the relations between the World Bank and civil society through the Indonesian case study. Once it had become clear that the World Bank only focussed on NGOs – in spite of its rhetoric to the contrary – I decided it would be better to take this relationship as my focus. This approach made sense primarily because the World Bank in Indonesia had no direct relationship with broader elements of civil society and hence there was nothing to examine.

In Summary

This thesis critically explores the World Bank's strategy for engaging NGOs as a way to unearth the reality behind the World Bank's rhetoric of listening to the voices of NGOs and working together to find the solutions to poverty. In order to examine this issue closely and in detail I present the findings of a case study on the World Bank's relations with NGOs in Indonesia. I engage with critical and critical feminist literature to understand the results of both my interviews with NGO representatives and World Bank staff in Indonesia, and my document analysis. The Indonesian case study reveals something of the details of the World Bank's strategy and the history behind it, the politics that surround the strategy, the limitations of the strategy, and the outcomes that it has achieved and is likely

to achieve in the future. I see my thesis as a contribution to the political project that seeks transformation of unequal economic and political relations, hence my preference for critical social inquiry methods. It is therefore my hope that this thesis assists in raising awareness as to the actual and potential risks and benefits for NGOs and their objectives in engagements with the World Bank in dialogues for development.

CHAPTER 2 - THE WORLD BANK AND ITS ROAD TO NGOS

Introduction

The Bank's hegemony in defining development and correct policy, its legitimacy in interpreting the world for others and the deference it commands are signs of its achievement. (George & Sabelli, 1994: 4).

The World Bank has, or for much of the last fifty years been, one of the most powerful institutions shaping the developing world. It loans billions of dollars to the governments of the Third World and fundamentally influences many of their political, economic, and socio-cultural realities. As well, the Bank has compelled the cooperation of Third World governments in establishing the dominant development paradigm, thereby making hegemonic worldview. In so doing the Bank defines 'development' in line with the dominant economic paradigm of the world's richest countries.

Since the Bank's inception those paradigms have shifted from Keynesian economics to neo-liberal economics. As a consequence countries have become increasingly inter-dependent, and processes of globalisation re-shape the world's political and economic order. The World Bank has been at the forefront of efforts to "open" the economies of the Third World, and now the former eastern bloc countries, to the global free market, in keeping with the neo-liberal economic paradigm and interests of the West. The Bank's development agenda is pursued through a lending apparatus and spheres of influence that, when taken in their

entirety, allow the Bank to help shape the political and economic landscape of developing countries.

This chapter establishes the context for the research on World Bank/NGO relations that will follow. It examines the World Bank from its inception, tracking its changes particularly since the eighties. Perhaps as an outcome of those changes, and as a prelude to the way the Bank has moved forward, the late eighties and nineties witnessed a resurgence of interest in civil society in political and development discourse. The World Bank both adopted and furthered the civil society rhetoric. It embraced “civil society” as the panacea of its too often failed development agenda at a time in the Bank’s history when it faced mounting pressure on a number of fronts. This chapter discusses James Wolfensohn’s appointment as World Bank President in 1995 and how the Bank sought to re-define itself and change its image into that of an institution that embraces NGOs. It follows the Bank through its history to its current position on engaging NGOs and explores the justifications and ideological foundations to this position. In so doing, this chapter landscapes the terrain of the thesis, laying the foundations from which the research questions are drawn, and to which the thesis analysis will conclude.

A Brief history of the World Bank

- ***How it all Began***

The World Bank (then called the International Bank for Reconstruction and Development) came into being, along with the International Monetary Fund (IMF), at the international conference of World War II allies held in 1944 at Bretton Woods, New Hampshire, USA. Consequently, the IMF and the World Bank are often referred to as the Bretton Woods institutions, the Bretton Woods twins, or the Bretton Woods sisters. There were 169 delegates at the Bretton Woods conference, 168 men and one woman. In this environment it was perhaps inevitable that the outcome would be gender biased, favouring masculine responses to the problems of global insecurity.

The allied countries were sufficiently disturbed by the magnitude of the Second World War to aim to develop global institutions to create stability, and thereby avoid a recurrence of world war. Griesgraber and Gunter, (1995) argue that the motivation for the creation of the Bretton Woods institutions lay in a broadly shared understanding of the allies that World War II was in part a consequence of the failure of the international community to cooperate and organise economically:

The guiding principal of the original vision was ‘Never Again!’ Never again to permit the conditions of the 1920s and 1930s with their mass unemployment, protectionist beggar-thy-neighbour policies, competitive currency devaluations,

deflation, collapse of commodity prices, stock exchanges crashes, etc. These pre-war conditions, especially mass unemployment, supposedly led to the rise of Hitler and World War II. (2).

The allies were determined to establish the rules for an international capitalist economic order. To that end, the conference envisaged the need for four international institutions: the International Bank for Reconstruction and Development (later named the World Bank), the International Monetary Fund (IMF), the International Trade Organisation (ITO)⁴, and the United Nations (UN).

The IMF and World Bank were created under the legal umbrella of the United Nations (established in 1945) and although the Bretton Woods twins are now distant from their parent body they remain legally tied to it. The Bretton Woods twins have different and separate voting and decisions making systems, leadership and financial management, bureaucracies, and ideas. The voting structures are fundamental to the divergence between the institutions. Whereas the UN has a voting system of one country one vote, the Bank and IMF voting systems are weighted on the basis of financial contributions. In the wake of de-colonisation and the more recent break up of the Soviet Union, the relative power of the richest and most powerful states has decreased in the United Nations.

4 The ITO was never established even though it had been considered integral to the stabilisation of commodity prices. In an attempt to rectify this, the United Nations Conference on Trade and Development (UNCTAD) was established in 1964 (Kapur, Lewis & Webb 1997). Its purpose was to create fairer playing fields for commodity producers of post-colonial countries, however it lacked the support of the industrialised countries and hence was relatively powerless. The concept of an international agreement on trade was eventually translated into the General Agreement on Tariffs and Trade (GATT) but its role and process became very different to that originally envisaged because it failed to address the issue of unstable commodity prices (Griesgraber & Gunter 1995). The evolution of the GATT into the World Trade Organisation (WTO) bears witness to the radical departure from the original intentions of their founders at Bretton Woods.

Consequently, and increasingly, the industrialised countries led by the United States have sought to exert influence through other multi-lateral vehicles thus causing the UN to loose influence in global political and economic matters. The Bretton Woods Institutions have been used as one such vehicle. Given that the financial contributions of the world's richest countries far outweigh those of the poorer countries, it is they who have influence and control over the World Bank and IMF, hence the Bank and the Fund have become the foci of development in these poorer countries. The development agenda has continued to be constructed within this context and hence reflects the interests of these powerful players.

The IMF was given the task of ensuring global financial stability through the use of loans to countries experiencing temporary balance of payments difficulties. In the first of the IMF's Articles of Agreement it states that the IMF's fundamental objective is:

The promotion and maintenance of high levels of employment and real income and the development of productive resources of all members. (Reproduced in Griesgraber & Gunter, 1995: 6).

In order to achieve this the Bretton Woods delegates assumed that greatest supervision would be exercised over the world's wealthiest and financially powerful countries, given that the actions of these nations have such far-reaching ramifications internationally. The IMF's role in developing countries was envisioned as minimalist and temporary. However, the IMF has moved well away from its original objectives. It now plays a highly aggressive role in designing the

long-term political and economic frameworks of developing countries, and pays only scant attention to the supervision of the world's largest economies (Griesgraber & Gunter, 1995).

Griesgraber and Gunter argue that contemporary IMF and World Bank development prescriptions emerge from their adoption of the neo-liberal ideology of the Washington consensus, rather than emerging from their Articles of Agreement:

Nowhere in the Articles of Agreement of the IMF (nor of the World Bank for that matter) is there any mandate to evolve or prescribe proper development policies to its member countries, let alone to develop the specific school of prescriptions now known as the Washington Consensus. In the absence of an over-riding ideology, the IMF and World Bank would not have had the homogeneity and self-confidence necessary for the imposition of development policies. (1995: 6).

The World Bank's immediate goal was to assist with the reconstruction of war torn European countries at the end of WWII. John Maynard Keynes, the father of Keynesian economics and one of the principal architects of the Bretton Woods Institutions, together with Harry Dexter White, said this at the opening of the Bretton Woods Commission:

It is likely, in my judgement, that the field of reconstruction from the consequences of war will mainly occupy the proposed Bank in its early days. But as soon as possible and with increasing emphasis as time goes on, there is a second primary duty laid upon it, namely to develop the resources and productive capacity of the

world, with special reference to the less developed countries. (Reproduced in Mason & Asher, 1973: 2).

The World Bank moved rapidly into its ‘development’ role as its role in post-war reconstruction was made redundant. However, during the Bank’s first decades it was rather less enthusiastic about alleviating poverty through development than it came to be in later years:

The first twenty–six annual reports of the Bank barely touch on the subject of poverty, and the Bank’s twenty-fifth anniversary history almost completely ignores the concept... That long silence on the subject is a startling contrast to the latter-day, ringing affirmations of social commitment and concern. (Kapur, Lewis & Webb, 1997: 52).

Initially the Bank loaned for ‘projects’ in developing countries that were expected to produce high yields on investments (Kapur, Lewis & Webb 1997: 12). These loans attached conditions that related only to that project and did not comprise domestic economic policy. The Bank focussed on working in conjunction with private international investors. The projects that resulted sometimes involved some infrastructure development in poor countries but were largely unconcerned with the issues of poverty. In these twenty years the Bank lent a total of US \$12.4 billion (George & Sabelli, 1994). This early development model was based on the idea of ‘modernisation’, that the poorest countries needed to modernise their technologies and industries along Western lines in order to become developed.

- *The McNamara Years*

Robert McNamara, Bank President from 1968 – 1981, is now famous for his profound impact on the World Bank and hence upon the political and economic trajectory of developing countries and their relations with the richer countries of the First World. McNamara, as part of the Cold War struggle, promoted an expanded vision of modernisation through development and assigned the role of eradicating absolute poverty to the World Bank. To this end, he embarked upon an enormous expansion of Bank lending, believing that more was better. In his now famous and oft quoted speech given at the Bank's Nairobi meeting in 1973 McNamara defined his concept of absolute poverty as:

A condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims basic human necessities... a condition of life so limited as to prevent realisation of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity – and yet a condition of life so common as to be the lot of some 40% of the peoples of the developing countries.

(Reproduced in George & Sabelli, 1994: 38).

In the McNamara years development became more than isolated projects in developing countries. The modernisation project gathered momentum and expanded to include not just technological development but development of economic capacity, markets, and policy. Robert McNamara's new development agenda did not set projects apart from the political and economic terrain of the country they were implemented in. In McNamara's eyes countries required a package of assistance strategies, hence lending for the broader category of

‘programs’ was introduced. Programs formed part of an entire country assistance strategy that comprised governments, domestic private markets, and international investors (Griesgraber & Gunter, 1995). It was a multi-faceted, integrated approach to development that allowed the Bank to attach far greater conditionality to its loans. Conditionality was now attached to government local financing, domestic legislation, provision of infrastructure and related support services from domestic sources. The move from singular project lending to multi-program lending is important in that it signifies a broadening and deepening of the World Bank’s role in promoting its development model in Third World countries. It was this shift that constructed the rationale for the expansion of the World Bank’s spheres of influence that are now almost limitless.

McNamara believed strongly in the need to alleviate poverty not only as an end in itself but also as a vital means to prevent the spread of communism and achieve political stability. He envisaged a role for the US in assisting governments that were anti-communist to build their military and to offer training to them in order that they could control and eliminate domestic communist uprisings. He brought his fear of communism to the Bank from his former position as US Defence Secretary from 1961 – 1968 during the Vietnam War. At the Hearing of the US Congress on the 1969 – 1973 US defence budget McNamara said:

We could find ourselves literally isolated, a ‘fortress America’ still relatively prosperous, but surrounded by a sea of struggling, envious and unfriendly nations – a situation hardly likely to strengthen our own state of peace and security... We

must create conditions for economic and social progress in the less developed areas of the world. (Reproduced in George & Sabelli, 1994: 50).

This ideology fuelled the strategic expansion of the Bank and saw it loan huge sums of money to repressive – but fiercely anti-communist – military regimes like the Suharto government of Indonesia, the Pinochet regime of Chile, and the Marcos regime of the Philippines. In 1979 the liberal senator of Dakota in the USA objected to funding the Bank on these very grounds, noting that the 15 most repressive governments in the world were now receiving a third of all World Bank loans (Rich, 1994: 10). McNamara's World Bank loaned for economic development and anti-communism – it was no coincidence that borrower countries were Cold War allies of the US.

During McNamara's presidency lending increased from US \$953 million in 1968, to US \$12.4 billion in 1981, the year he left the Bank (Rich, 1994). In his relentless push to expand the Bank, McNamara embedded a working culture at the Bank that exists to this day. The pressure to loan money translated into a staff expectation to obtain as many program approvals as possible in the shortest time possible. No longer did staff wait for project proposals to come forward and then assess them; staff went out and designed them, writing the proposals themselves and then obtaining government signatures for them. Third World governments seldom scrutinised them, often keen that the money would further their own elite positions economically and politically (George & Sabelli, 1994). Long-standing and well respected Bank critical analysts and academics Susan George and Fabrizio Sabelli write:

Governments rarely worried about how they would repay the loans; even more rarely did they refuse money which turned up with next to no exertion on their part. The Bank defined the location, content, organisation and priorities of the project. Because the government was only marginally involved in the design, it remained more or less aloof from the project's implementation as well... Furthermore, from the government's point of view, a loan – or better still a lot of loans – from the World Bank sent signals to other lenders that they had nothing to fear. Other public donors and commercial banks tended to follow the lead of the Bank. (George & Sabelli, 1994: 44).

The outcome saw the Bank dominate development program planning. Third World governments became signatories to the plans of the Bank.

The drive to loan money, overlapping with the objective of containing communism, translated into massive support for authoritarian regimes. The Indonesian government, for example, was to become one of the Bank's largest borrowers in the aftermath of the bloody coup of 1965/66 that witnessed the slaughter of over half a million people suspected of communist connections (discussed further in Chapter 3). The Bank offered a high level of support for the Suharto led anti-communist government of Indonesia after its violent rise to power. Its continuing use of military repression to stay in power, and its blatant and overt corruption of Bank funds, were no impediment to huge loans (these issues will be dealt with in greater detail in Chapter 3). Such abuses were ignored, or even seen as necessary to the maintenance of political stability and the eradication of communism.

The Bank needed strong states, or in the Bank's own words 'development states'. A development state needs political stability so as to pursue economies built on capitalism. It therefore refers to a state that both adopts the economic growth model of development and acts against the rise of communism. To this end the development state needed to be a strong state that was willing to use its military to enforce these twin objectives should the need arise. Third World governments came to rely upon the support of the Bank, understanding that this did not so much depend upon poverty alleviating outcomes as it did upon adopting the development model of the Bank, maintaining some semblance of legitimacy, and acting against communist insurgency.

- ***The Debt Crisis***

The 1980's Third World debt crisis was a crisis for the entire international financial system. It had its origins in the 1970s, during McNamara's huge expansion of the Bank, but had its impact from the early eighties, after McNamara had left the Bank and been replaced by Tom Clausen in 1981. It was the debt crisis acted as a catalyst to the enormous rise in influence and power of the Bretton Woods Institutions over the governments of the Third World. There is widespread agreement within the literature regarding the specific events in the 1970s that lay the groundwork for the debt crisis, though the weight granted each differs.

At Bretton Woods in 1944 all participating world currencies were pegged to the US currency, creating extremely favourable economic conditions for the US, and securing their global economic dominance for the decades to come. In response to US dominance, Western Europe and Japan launched their own rigorous economic programs and attacked the US economy. Their challenge resulted in Nixon (then President of the US), suspending the convertibility of the US dollar into gold at a fixed rate in 1971. Then in 1973 the USA, in order to secure dominance, opted to float the dollar rather than continue with fixed but adjustable exchange rates (Altvater & Hubner, 1991; Griesgraber & Gunter, 1995). The wealthiest states of the world that had once found their national interest served by the Bretton Woods system⁵ now entered a new phase of competition and hence undermined the Bretton Woods system and severely destabilised the global economic order.

The second significant event of the 1970s occurred in the two oil price rises of 1973 and 1979. OPEC (Organisation of Petroleum Exporting Countries) decided to dramatically increase the price of oil, (the price quadrupled in the 1970s), placing extreme pressure on oil importing nations and a massive surplus of dollars for OPEC member countries. The European Banks - where much of the surplus ended up - found themselves in the position of making extremely favourable loans to Third World countries to recycle the 'petro-dollars'. Many Third World countries were experiencing balance of payments difficulties in light

⁵ The 'Bretton Woods system' refers to the agreed system of international exchange rates as opposed to the IMF and World Bank which are referred to as the 'Bretton Woods institutions'.

of the sharp increase in oil prices and hence took great advantage of the loans, often for the personal gain of powerful elites. As Altvater and Hubner point out in their analysis of the events leading to the debt crisis:

Thanks to their low interest rates and in particular because they extended largely unconditional credit, the private Euro-banks became the Third World's major lenders. But as well as financing large-scale, often ambitious industrial projects, they financed nepotism, client-economy-style enrichment, an exodus of capital and the expansion of the military and the police, the tools of repression with which the ruling classes hoped to secure their power. (Altvater & Hubner, 1991: 8).

During the same decade the Bank also rapidly expanded its loan portfolio. The course of the 1970s saw the external debts of Third World countries rise from approximately US \$100 billion in 1972 to approximately US \$800 billion in 1982 just prior to the onset of the debt crisis (Altvater & Hubner, 1991).

The Bretton Woods system of fixed exchange rates was now defunct and there was no multi-lateral cooperation regulating the international financial system to replace it. The Bretton Woods institutions did not emerge to manage the much-needed cooperative efforts required to regulate this enormous flow of funds. Indeed the Bank encouraged the debt, believing that the loans would increase production thereby stimulating economic growth, producing enough wealth for not only the loans to be paid back but also to be re-invested to produce more growth. The money flows to the Third World in the 1970s on extremely favourable terms did translate into economic growth and declining poverty for

some Third World countries, but were most evident in enabling ruling elites to maintain and even further embed their positions and systems of power.

Meanwhile, the 1970s witnessed economic downturn in the First World as a consequence of the oil price rises and the abandonment of the system of fixed exchange rates and multi-lateral cooperation (Leys, 1996). For the first time since the Depression of the 1930s, developed countries saw unemployment soar, investments fall, and profits diminish. By the end of the 1970s the First World countries, led by Margaret Thatcher in Britain, Ronald Reagan in the US, and Helmut Kohl in West Germany, switched paths and abandoned Keynesian economics altogether. They instead sought to control inflation; a decision to control growth through money supply rather than by stimulating or dampening demand, otherwise known as supply-side economics (Leys, 1996). The new economic agenda was based on the ascendancy of capital and the unregulated free-market known as neo-liberalism (Danaher, 1994), discussed in more detail later in this chapter.

Thus a new era of global economic re-structuring began and the neo-liberal economic agenda became dominant. Its onset led to recession and rapidly increasing interest rates globally. Repayments on the massive loans to Third World countries, initially on favourable terms, blew out. In August 1982 Mexico declared its inability to pay its debts (Kapur, Lewis & Webb, 1997). The debt crisis proceeded to swamp those countries of the developing world that had taken loans. The management of the debt crisis by the international banks and multi-

lateral institutions was, in the first instance, marked by chaos, but has now become the standard way creditors deal with debtor countries.

- ***Managing the Debt Crisis***

The rescheduling of Third World debts, as opposed to the annulment or suspension of either the debt or the interest on debts, was the central feature of the management of the crisis by the international financial institutions. As well,

The creditor nations have largely determined the terms on which debts would be rescheduled and the policies to be implemented by the debtors... The basic creditor strategy has had three key elements: (1) a combination of banks, governments and international governments has acted as lender of last resort and provided liquidity to a debtor while the rescheduling of the debt has been negotiated; (2) the debtor has been required to accept a severe adjustment or austerity program, and (3) although other actors and institutions such as the Federal Reserve and the Paris Club of creditor nations have played important roles, the IMF has been given primary responsibility for enforcing adjustment based on the principle of conditionality and for certifying eligibility for financial assistance. (Gilpin, 1987: 319).

Between 1978 and 1981 approximately US \$9 billion of debt was rescheduled in line with the above strategy. By 1986 the total value of debt rescheduling reached US\$157 billion (Altvater & Hubner, 1991). The primary institutions responsible for the management of debt rescheduling are the Bretton Woods Institutions, the

Paris Club⁶ and the private banks (Kapur, Lewis & Webb, 1997). Debtor countries, burdened with impossible interest repayments, were forced firstly to reschedule their public debt⁷ through negotiations for loans from the IMF on strict policy conditionality. After having signed an agreement with the IMF, the country could then negotiate with members of the Paris Club the details of a debt repayment schedule through, for example, interest rates negotiation, grace periods, and the like (Kapur, Lewis & Webb, 1997). The conclusion of these negotiations sent a signal to the private banks that the country was now ready to negotiate the rescheduling of their private debts to these banks, employing the previous negotiated conditions as the framework. The IMF and Paris Club therefore came to hold a great deal of power over indebted country governments. It was generally only with their approval that private banks considered debt negotiation. Each debtor country was treated separately. Each negotiated different terms and conditions for rescheduling, some receiving favourable terms and others not. In this way debtor countries were encouraged to compete with each other for favourable treatment rather than unite to coordinate their response. Further, this process has allowed for debts to be rescheduled over and over again, compelling many Third World countries to not only maintain but also extend the economic conditionality that is attached to loans for decades (Altvater & Hubner, 1991).

6 The Paris Club is not an officially sanctioned institution of the international system, however its members represent the most economically powerful countries in the world, hence its role in international debt management.

7 Public debt is that debt that is owed to creditor countries or multi-national institutions, private debt is that debt which the country owes to private banks.

The IMF, having been relatively insignificant in the 1970s, rapidly grew in influence in the 1980s as a consequence of its role in managing the debt crisis (Feinberg, 1986). The IMF embraced the emerging ‘Washington consensus’ – a consensus between the IMF, the World Bank and the US Treasury - and imposed strict conditionality on countries seeking its assistance (Stiglitz, 2002). Many were to undergo structural adjustment, or austerity programs as they are often called (Caufield, 1996). Structural adjustment requires countries to re-structure their economies in line with the neo-liberal economic model preferred by the IMF. This model will be discussed in greater detail later, however, in brief it requires governments to de-regulate their economies, lift trade barriers, liberalise their financial sectors, cut back government spending, and devalue their currency. The goal was to attract foreign private investment and raise capital by pushing up exports – usually of manufactured goods (employing cheap labour) and raw materials (ie. natural resources). Governments of the developing countries were also required to guarantee the debt service of private commercial banks, the objective here being to encourage investment by demonstrating minimal risk (or no risk) to the private investor, undermining the supposed solid belief in allowing the market to be free and self-regulating. The programs have dramatically reshaped the landscape – economic, political, socio-cultural and natural – of Third World countries.

- ***The World Bank and the Debt Crisis***

The World Bank played a far lesser role than the IMF during the early phases of the debt crisis (Kapur, Lewis & Webb, 1997). Indeed it was not until the mid-

eighties that the Bank even acknowledged that there was a debt crisis, preferring to understand the crisis as *debt difficulties* caused by temporary liquidity problems, as documented in its 1983 World Development Report (George & Sabelli, 1994: 83). The Bank initially took time to move away from its infrastructure development focus to embrace the emerging neo-liberal Washington consensus and its strategy of influencing the economic policies of client countries.

Once the World Bank's role in managing the debt crisis took off it rapidly expanded through increased lending and an insistence that debtor countries more thoroughly commit to rigorous structural adjustment programs (Bello, 1994). Structural adjustments were applied with increasing stringency and over longer terms, obliging Third World governments to take austere measures to restructure their economies towards attracting investors and increasing exports. Structural Adjustment Loans (SALS) were extended in terms of their level of intervention, their size, and their number. In addition, arrangements for the co-financing of projects between the private sector and the Bank were extended (Caufield, 1996).

The Bank's response was aimed at restoring investor confidence in the Third World by safeguarding private investments. In other words, the private sector was to be protected in its dealings with the Third World, and the people of the Third World through structural adjustments assumed the risks that the free market normally carries. Structural Adjustments re-assured investors that the economic climate within a developing nation would remain favourable to them. In addition, the international banks that were owed so much by Third World countries, made

debt re-scheduling contingent upon their adoption of World Bank structural adjustment loans. The Third World countries involved were not in any position to negotiate alternative options for their economic trajectory. By the end of the eighties 187 structural adjustment loans had been administered by the Bank (Bello, 1994: 17).

The debt crisis and its management by the Bretton Woods Institutions witnessed the initial phases of globalising a neo-liberal international economic order and the securing of new forms of dominance by the West over the Third World. Through their lending programs and their influence on the private sector the Bank and IMF compelled the governments of the Third World to adopt policies and practices that drew them into the emerging liberalised global economy. This was justified on the grounds that this economic doctrine would eventually give rise to higher living standards for Third World population and an end to the debt crisis.

Contrary to prevailing myths, Third World debt is not less now than what it was in the 1980s. However they are still caught in a debt trap:

It's become commonplace in the business press that the Third World debt crisis...came to an end sometime in the late 1980s. Offcourse, by this business press means that Third World debt is no longer capable of bringing down the global financial system, as seemed possible in the mid-1980s. While debt reduction has been the mantra of new policy, debt has still grown. Since 1989...the amount the world's poorest countries owe to the rich has grown by 23 percent. (Henwood, 1994: 39).

The debt crisis was so called because Third World countries threatened to default on their loans. It was this threat that saw the Bretton Woods Institutions empowered by Western interests to drive the neo-liberal economic agenda. However the agenda also brought them into widespread disrepute with a broad array of critics, including many NGOs.

Neo-Liberalism and Civil Society

- ***The Rise of Neo-Liberalism***

The doctrine of neo-liberalism, neo-classical economics, supply-side economics, or whatever name it is given, was brought to prominence by the work and pupils of Friedrich von Hayek of the University of Chicago, with one of his pupils being the influential neo-liberal thinker and leader Milton Friedman. Central to neo-liberalism is the supremacy of the free-market and competition. The free market – not governments – is assigned the responsibility of balancing supply and demand by means of the ‘invisible hand’ that Adam Smith first envisaged. Through the free market consumers make demands for goods and services based upon their self-interest. Producers that supply demanded goods and services expand and grow whilst inefficient and/or unpopular producers are eliminated. In this way competition ensures that the equilibrium between supply and demand is maintained. Hence competition is perceived as the mechanism that promotes growth, development, and advancement:

Competition is central because it separates the sheep from the goats, the men from the boys, the fit from the unfit. It is supposed to allocate all resources, whether physical, natural, human or financial with the greatest possible efficiency. (George, 2000: 29).

The neo-liberal agenda promotes the ascendancy of capital. Capital (and the interests of capital controllers) becomes the guiding principle for government policy determination. All other goals, policy areas, and national objectives (such as employment, industrial affairs, health and welfare, migration and population) are made subordinate or managed to serve the interests of capital. Neo-liberalism is concerned to create the conditions whereby capital may be accumulated and concentrated in order to encourage its investment. In channelling greater concentrations of wealth to the already wealthy, the theory is that they will invest their capital into business ventures that produce growth, employment, and technological advancement. Through their investments they stimulate production, creating more wealth and more jobs. The wealth that is generated is transferred to workers in the form of wages and hence living standards are raised. However wage rates must remain low and some unemployment must be sustained in order to create the conditions for attracting capital. Inequality is virtuous to the neo-liberal economic order. Indeed, great inequality will benefit everybody because, in the now famous words of Ronald Reagan, the wealth will *trickle down* to all. Privatisation, trade liberalisation, capital liberalisation, de-regulation of industry, labour, banking, and investment have all followed (Gilpin, 1987; George & Sabelli, 1994; Leys, 1996; Tooze, 1997).

- *The Washington Consensus*

On the international stage the neo-liberal economic agenda was promoted through the ‘Washington consensus’ (Fine, Lapavitsas, Pincus, 2000). The consensus emerged in the 1980s from powerful political and economic forces within US Treasury, the IMF and the World Bank and was promoted through bilateral aid (eg. through USAID) and loan conditions. The World Bank and IMF came to eagerly promote the agenda through their lending programs. As Broad and Cavanagh, two eminent critics of the agenda, write:

One of us worked as an international economist in the Treasury Department (USA) from 1983 to 1985; it was taken as an article of faith that the IMF and World Bank formula, if properly followed, was the only route for countries to follow. In fact, during the reign of the Consensus, those daring to criticise the Consensus were treated like heretics. By the early 1990s, the Consensus was like a steamroller in changing the face of development policy and practice across the globe. (Broad & Cavanagh, 2000: 85).

The three pillars of the Washington consensus are privatisation, liberalisation, and macrostability (Stiglitz, 2002). The Washington consensus includes such policies as capital market liberalisation which Joseph Stiglitz (chief economist at the World Bank 1997-2000 and Nobel Prize winner for Economics in 2001) now argues has never been proved to promote economic growth (Stiglitz, 2002). As well, trade liberalisation (the substantial reduction of trade barriers, subsidies, import restrictions and such), was insisted upon, even for countries whose capitalist economies were not mature or strong enough to carry the shocks that

such a move places on domestic production. The Washington consensus failed to acknowledge that the strongest economies of the world emerged precisely because they nurtured their industries with protectionist policies, many of which remain in place. The Consensus policies also include the privatisation of government owned industries even though this has often led to poorer and less extensive services. Joseph Stiglitz witnessed the privatisation process in numerous developing countries and argues that in many instances previously government owned industries and services end up as either monopolies in the hands of foreign companies or the cronies of ruling elites (Stiglitz, 2002).

Washington consensus policies included currency devaluations that made the cost of exports from developing countries cheaper for buyers overseas (often First World consumers), whilst reducing the income of Third World producers. Alongside this went a push for the development of export industries/production at the cost of production of goods and services for domestic consumption, requiring countries to import these goods. 'Market-friendly' environmental and labour laws that reduced costs to investors were also encouraged. The Consensus compels the governments of Third World countries to maintain tight monetary policies (or austerity programs), that reduce government spending and force up interest rates, in turn dampening domestic investment in industry and risking employment growth.

These measures were designed to open economies to the global free-market in order to attract foreign investors (ie. capital), thereby increasing domestic productivity and generating employment. Capital investors are protected in their

ventures with developing nations, their risks are minimised through the role of the World Bank, IMF and Paris Club. The Washington consensus argued that neo-liberalism would lift poor countries out of their poverty, acknowledging that there may be short-term pains to achieving this long-term goal, as Joseph Stiglitz explains:

IMF economists could ignore the short-term effects their policies might have on the country, content in the belief that *in the long run* the country would be better off; any adverse short-run impacts would be merely pain that was necessary as part of the process. Soaring interest rates might, today, lead to starvation, but market efficiency leads to growth, and growth benefits all. Suffering and pain become part of the process of redemption, evidence that a country was on the right track. (Stiglitz's emphasis). (Stiglitz, 2002: 36).

The 'short-term pain' was most often visited upon the poor, for example when subsidies on basic food items were lifted, or when land claimed from subsistence farmers is used for large cash crops. However the short-term pain also refers to the pain that ruling elites and governments experience in the political backlash from instituting such unpopular policies. Governments are forced to balance the economic 'imperatives' of the neo-liberal agenda with the political realities of social unrest and dissent that the agenda causes (Broad & Cavanagh, 2000; Bello, 2000a).

Broad and Cavanagh (2000) argue that the Washington consensus was introduced in response to the '*New International Economic Order*' tabled by Third World nations at the UN in the 1970s. This document outlined a international financial

framework and a policy agenda designed to make fair the international economic order through raising commodity prices and increasing technological and development assistance, a shift that was not in the interests of the First World. Partly in response, the Washington consensus emerged to safeguard the relative wealth and economic dominance of the First World over the Third. It argued that the best way, indeed the only way, out of poverty was to attract international foreign investment by adopting free trade, capital liberalisation, export-led growth, and de-regulation of environmental and labour laws (Bello, 1994; Budhoo, 1994). The New International Economic Order was eventually negotiated away under the weight of the debt crises and the neo-liberal agenda of the Washington consensus (Broad & Cavanagh, 2000).

Since the mid-nineties the Washington consensus has given way to the post-Washington consensus. Joseph Stiglitz, then Chief Economist at the World Bank first promoted the ideas in 1998. The extent to which the original consensus is transformed is debatable. Fine, Lapavitsas & Pincus, (2000) argue that the post-Washington consensus does not fundamentally differ from its predecessor, both grant primacy to the free-market in achieving 'development'. Indeed the post-Washington consensus could be understood as a fine-tuning of the original Consensus. The main difference lies in the attention to building solid foundations and improved strategies in order that the neo-liberal agenda function more effectively.

The post-Washington consensus argues that institutions and good governance are important to the operation of the free-market and that these can be fostered by

states. Hence it is a somewhat belated recognition of the centrality of states to the formation, growth, and maintenance of the conditions required for free-markets. It also recognises social relations and looks to civil society and ‘social capital’ for the development of efficient and effective markets and states, (Fine, Lapavitsa, Pincus, 2000). In so doing it recognises the importance of drawing influential elements within states into the neo-liberal project. The World Bank has (at least in rhetoric) embraced this broadening of the development agenda as evidenced by its attempts to engage NGOs (discussed in more detail later in this chapter). The development agenda moved away from its narrow confines within dogmatic economic theory to embrace political and social relations. However the underlying pillars of the Washington consensus (privatisation, liberalisation, and macrostability) remain intact, as does the development agenda’s embeddedness in neo-liberal ideology. Rather than being a radical departure from the Washington consensus, the post-Washington consensus more effectively promotes neo-liberalism and the political and capital interests that it represents. It achieves this by drawing into its project a wider audience. That audience includes donors, civil society actors and groups, governments, practitioners and even some activists that decried the economic fundamentalism of the Washington consensus? The rhetoric of the post-Washington consensus was certainly more endearing to these groups, as will be seen later in this chapter.

Neo-liberal economics (and its expression in both the Washington and post-Washington consensus), has been nurtured through numerous think tanks, academic economic schools, foundations, and the like (George & Sabelli, 1994). These vehicles have promoted neo-liberalism, granting the doctrine scholarly

legitimacy that has translated into widespread acceptance of the value of its tenets. Although there is a strong theoretical tradition that informs neo-liberalism (Adam Smith being the most prominent), in its practical application by institutions such as the World Bank, theories are commonly presented as facts. Policy-making that supports a neo-liberal economic environment is presented as a necessity with predictions of dire consequences should countries not adopt these policies. The underlying values and assumptions about human nature that the neo-liberal economic agenda rests upon (ie. competition, individualism, self-interest, etc.) are not openly dialogued or debated in societies, though there are always critics. In this way the theory can be likened to religious fundamentalism, as Susan George and Fabrizio Sabelli have demonstrated in their book: *Faith and Credit: the World Bank's Secular Empire* (George & Sabelli, 1994). They argue that countries are expected to swallow the bitter pills of neo-liberal doctrine as articles of faith. Neo-liberal economic theory ignores culture, gender, values and history, yet it impacts and collides with people who inescapably embody all these things.

- ***The Rise of Civil Society in Neo-Liberalism***

If the eighties saw the rise of neo-liberalist economic ideology, then the nineties saw the rise of neo-liberalist political ideology – although it was not pursued with the same rigour. Neo-liberal political dialogue surged in the post cold war period, granting significance to the role of a robust civil society in economic, political, and social relations (Judge, 1996). Neo-liberal dialogue on civil society has two distinct – yet compatible – themes; firstly that civil society is vital as a counter to

the authoritarian tendencies of the state, and secondly that civil society is essential to the formation of civic minded, responsible individuals / citizens.

The vitality of a strong and thriving civil society is credited in neo-liberalist ideology with acting as a brake on state power as it drives its own agenda and creates political space for its own voice. As Gellner puts it:

The simplest, immediate and intuitively obvious definition, which also has a good deal of merit, is that Civil Society is that set of diverse non-governmental institutions which is strong enough to counterbalance the state and, while not preventing the state from fulfilling its role of keeper of the peace and arbitrator between major interests, can nevertheless prevent it from dominating and atomising the rest of society. (Gellner, 1994: 5).

The state cannot become authoritarian in the presence of an active, pluralist civil society. These ideas emerged most persuasively in analyses of post-Soviet events by writers such as Vaclav Havel, Adam Michnik, and Jacek Kuron (Foley & Edwards, 1996). Although the ideal liberalism as an almost stateless society did not emerge in the wake of the Fall of the Wall, most states did adopt the more familiar Western style free market capitalism and liberal democracy. Hence the period was still heralded by liberals as a win for their ideology, heralded as ‘The End of History’ – liberalism had won the great and last ideological struggle (Fukuyama, 1992). In more recent times however, as if to deny liberalism its victory, widespread unemployment, organised crime, corruption, homelessness, and poverty, have led to widespread dissatisfaction with the free market liberalist system (Stiglitz, 2002).

Alexis De Tocqueville's *Democracy in America*, originally published in the 1830s, heavily influences the second theme that runs through neo-liberal civil society discourse. The contention that communities with a strong civil society (ie. associational life) breed community minded citizens that value independence, a strong work ethic, community spirit, and charitable deeds (Foley & Edwards, 1996). The classical liberalist Charles Rowley summarises:

There can be no doubt that the free society rests upon, and is intended to nurture, a solid foundation of competent, self-governing citizens, fully capable of, and personally responsible for, making the major political, economic and moral decisions that shape their own lives and those of their children. There can be no doubt that such personal qualities are nurtured and passed on to future generations by healthy families, churches, neighbourhoods, voluntary associations and schools, all of which provide training in, and room for, the exercise of genuine citizenship. (Rowley, 1997: 4).

In liberalist theory then, civil society organisations produce types of people that build the 'good society'. A powerful state impedes the development of civil society and hence corrupts this process. A state that interferes in the 'natural' development of communities with excessive economic regulations and provisions to secure general welfare destroys civil society. Alexis de Tocqueville puts it thus:

Over this kind of men⁸ stands an immense protective power which is alone responsible for securing their enjoyment and watching over their fate. That power is absolute, thoughtful of detail, orderly, provident, and gentle. It would resemble parental authority if, fatherlike, it tried to prepare its charges for a man's life, but on the contrary, it only tries to keep them in perpetual childhood...It provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, makes rules for their testaments, and divides their inheritances. Why should it not entirely relieve them from the trouble of thinking and all the cares of living? (Tocqueville 1966, cited in Rowley, 1997: 18).

The state, in liberalist conception, is patronising and saps 'men' of their sense of individuality and responsibility. Tocqueville voiced a widely held liberalist fear that the state may diminish the role and dominance of men, a fear that male power is eroded by government programs and policies. Further in this chapter I discuss the inherently patriarchal nature of liberalism with reference to the work of Carole Pateman (1988).

In the West the rise of civil society discourse fuelled the rise of political neo-liberalism. Civil society was to be strengthened through the privatising of government services and regulations. In its strengthened position civil society, so liberalists argued, would use its voice and power to ensure that the state did not become over-bearing and that it did not interfere in the free market. This was the neo-liberal political argument that complimented the economic argument for

privatisation, government minimisation, competition and individualism. Western governments divested themselves of broad-ranging responsibilities, privatising them in the hands of civil society groups (including NGOs and self-regulating industry groups) and the private-for-profit sector.

The new liberalist political ideology that promoted the virtues of civil society heavily influenced the World Bank. In the nineties, in the face of mounting criticism of its economic strategy, Bank rhetoric moved away from championing neo-liberal economics in the form of structural adjustments (although they continue to be central to its agenda), and eagerly embraced civil society discourses. Shaping Third World civil society to the neo-liberal ideal has become the panacea for 'development'.

The argument that a thriving civil society prevents the abuse of state power and also breeds responsible and independent citizens has a number of fundamental flaws, the most significant being the assumption that civil society organisations always act to limit state power. This assumption is not borne out historically and there continues to be many civil society organisations that lobby for increased state roles or interventions in an array of spheres. Unions, for example, have for decades lobbied governments for protective regulations in the areas of wages and working conditions. Women's groups too have successfully argued for greater government intervention in the private domestic sphere to protect them from

8 Tocqueville defines this kind of men as: «An innumerable multitude of men, alike and unequal, consistently circling around in pursuit of the petty and banal pleasures with which they glut their souls». (Cited in Rowley C 1997: 17-18).

domestic violence. Environmental civil society groups have called upon states to impose tighter regulations on the exploitation of natural resources by free market operators. Neo-liberal political discourse has difficulty recognising these civil society groups because they act to undermine the liberalist project. Hence it becomes necessary, if the liberalist project is to be realised, for civil society to be shaped to fit into the functions that liberalism requires of it. The liberalist vision requires a civil society that supports the minimisation of the state, the growth of the free market, and the ascendancy of capital. Given the World Bank's role in promoting neo-liberal ideology, is it that the institution has carved out a role for itself in nurturing this kind of civil society through its engagement with NGOs? In finding that the World Bank plays a role in shaping NGOs in Indonesia, I return to this important question throughout the thesis.

- *Civil Society in Gramscian Terms*

Antonio Gramsci (1891-1937), the Italian Marxist thinker, demonstrates that the role and function of civil society is highly contested. Gramsci conceptualised civil society in far more radical terms, his definition being at odds with liberalist interpretations. Civil society in Gramscian analysis comprised academics, religious institutions, associations, individuals and groups, that often legitimated the rule of elites by advancing the ideas that supported their hegemony (Evans & Newnham, 1998). In this radical analysis Gramsci argues that ruling elites maintain power by convincing the population of the virtues of the current system of power relations even though those relations serve the elite at the expense of the majority population whom they exploit. In this way ruling elites manufacture

consent for their rule rather than relying solely upon repression in order to stave off challenges to their power base:

There are, says Gramsci, two “floors” or bases of superstructure: civil society, consisting of private organisations, and political society which is the state. It is within the former sphere that intellectuals exert their function of social hegemony, encouraging a “spontaneous consent” on the part of the populace to ruling-class ideas and ambitions. In contrast, the state legally insures discipline through direct rule and coercion. Gramsci’s use of “intellectual” here is broad, covering the hierarchy from original thinkers and scientists at the apex to administrators and propagators of received class wisdom at the bottom. (Habib, 1996a: 228).

The very idea of civil society that neo-liberal political discourse encourages sits easily within this frame, the discourse perceives a civil society that supports and promotes liberalist hegemony.

Gramsci broadened the critical analysis of capitalism introduced by Marx to take account not only of the relations of domination and subordination between the classes, but also how the means through which these relations were maintained. Whereas Marx was concerned with the dominance of the elite through the material relations of production in a capitalist system, Gramsci was concerned with the maintenance of domination by way of hegemonic ideas, (Habib, 1996a; Chambers, 2002). In Gramscian analysis, many of the organisations of civil society propagate hegemonic ideas and hence grant the ruling elite the appearance of legitimacy in the eyes of the dominated population, (Bocock, 1986; Habib, 1996b).

Gramsci conceptualised civil society as a sphere that promotes an exploitative and unjust status quo. This notwithstanding, Gramsci also saw within the sphere of civil society the seeds of revolution. He argued that it is those civil society institutions and groups that reject the ruling class and ruling ideas that can develop a counter-hegemony (Chambers, 2002). Dissidents move within civil society and expose ruling ideas as fraudulent and intended only to serve the interests of the ruling elites. They cause the oppressed classes to question the hegemonic ideas that have been propagated, and to develop a new ideology. In this way the legitimacy of the ruling elite erodes in the face of the popular appeal of this new ideology. The exploited classes then organise around their growing dissatisfaction and, with the help of dissident civil society, cause revolution with the goal of a socialist society.

Gramsci believed that civil society was capable not only of promoting ruling ideas (or hegemony), but also of challenging and undermining them. As the following chapters demonstrate, the role of disparate civil society groups in Indonesia provides an instructive example of how some groups have legitimated ruling ideas and other groups have challenged them. Importantly, a significant number of Indonesian critiques specifically cite and employ Gramscian ideas, including in regard to the role of civil society (discussed further in Chapter 4).

- *Neo-liberalism, the Third World and the Myth of the Shrinking State*

The Washington consensus at work in the Third World has depended heavily upon strong states to implement its agenda, undermining the political vision of neo-liberalist ideology. Neo-liberal doctrine calls for the ascendancy of the private sector - both the free market and civil society - over the state. However in many Third World states the ascendancy of the free market has required a strong and powerful state and the suppression of civil society. It is this mix that has created the conditions of political stability necessary for capital to operate unfettered. Alongside advocating for the rise of civil society to temper the state, the Bretton Woods Institutions have often been supportive of strong, authoritarian governments to enforce the application of their neo-liberal economic policies in the Third World (Mosley, Harrigan & Toye, 1991). The contradictions apparent here are especially evident in Indonesia.

The application of neo-liberal economic policies designed to promote the rise of capital has been made possible through the structural adjustment conditions attached to World Bank and IMF loans (Nelson, 1995). However, the IMF and the World Bank have at once denied the short-term pain visited upon the poor in countries of 'adjustment', and also called for patience, arguing that the pain will give way to increased living standards in time (Duncan, 1994). Third World countries have often been compelled to repress the social unrest and opposition that such pain brings in order for the economic agenda to move forward (Mosley, Harrigan, Toye, 1991). Leonor Briones of the *Freedom from Debt Coalition* in the Philippines argues that:

The very logic and framework of structural adjustment policies require the repression of democratic rights. This is because these policies demand drastic fiscal, monetary and economic measures that cannot help but raise very strong reactions from the public. And such reactions have to be repressed. It is not surprising that many structural adjustment programs are successfully implemented in countries like my own, under a dictatorship. (Reproduced in Danaher, 1994: 4).

To this end, the IMF and World Bank, urged on by those interests served by the neo-liberal Washington consensus, have supported repressive governments and their equally repressive military apparatuses in Third World countries (Budhoo, 1994). Yet the very notion of strong governments and the suppression of civil society contradicts fundamental neo-liberal political ideology.

In spite of this contradiction, the multi-lateral institutions keenly promoted the virtues of their neo-liberal agenda with the notion that it brought about the 'Asian Miracle' (World Bank, 1993). However, countries that have had poor economic performance, in spite of significant 'structural adjustments', are commonly portrayed as having failed because they did not follow the neo-liberal path strictly enough, as Mosley, Harrigan & Toye argue:

It was natural that neo-liberals should claim the success of the NICS (Newly Industrialising Countries) as proof of the efficacy of liberalisation, and the failures of Sub-Saharan Africa as evidence of the deadening effect of excessively powerful states. It was equally natural that this should be strongly contested, because there is indeed plentiful evidence that governments of the NICS possess and exercise strong

powers of direction over their economies... They are not, and never have been, models of a laissez-faire approach. (1991: 12).

Economic development was made possible by state repression, the neo-liberal ideal of an economy freed from the state was secured at the price of political freedoms. The World Bank turned a blind eye to repression whilst 'liberating' economies for global capital.

Joseph Stiglitz has exposed the contradictions in his book: *Globalisation and its Discontents* (2002). Stiglitz argues that the neo-liberal vision of a globalised world does indeed hold much promise for alleviating world poverty, however its implementation in the Third World has in fact worked against these goals. He argues that the timing of the liberalising project has served to advance the interest of the First World (particularly the US) at the cost of the Third World (although some Third World elites benefit). Whilst Stiglitz recognises that powerful interests drive decision making at the Bretton Woods Institutions, he stops short of suggesting that the neo-liberal agenda is simply a policy vehicle that best serves those vested interests. He does not seek to examine whether the ideology is a means only. If it is, this would go some way to explaining why the ideology is sometimes shaped, manipulated, and moulded in its application in the Third World (and indeed the First World), in ways that betray the neo-liberal vision. Such examinations lead one to conclude that perhaps economic 'liberation' of the Third World has not been coincidental to population repression in so much as it has depended upon it.

This thesis explores these questions as it examines the World Bank in Indonesia in the following chapter. Further contradictions can be seen at work in examining the fit between the fundamental neo-liberal ideology that forms the basis of the World Bank's development agenda and its rhetoric on promoting gender justice, to which I now turn.

- *Women in the Liberal Ideology*

In this section I critique aspects of the neo-liberal ideological tradition on the grounds of its gendered foundations. In so doing I lay the groundwork for the analysis of gender relations and the World Bank that is the focus of Chapter 7. Neo-liberalism has its origins in the liberalism of the seventeenth and eighteenth centuries Enlightenment period expressed in the writings of John Locke, Adam Smith, and Adam Ferguson, to name the most prominent. John Locke puts forward the proposition that man is born of the state of nature. The state of nature is transformed into a 'civil society' when individuals - in pursuit of their self-interest - agree to give up part of their freedom and enter into a social contract. The social contract is an agreement between men to form the state that is charged with the responsibility of protecting their natural rights. Natural rights are those that men (not women) have, and are not granted to men but have been discovered to exist in the state of nature. A man's right to property is natural, as is his right to liberty and life (Turner, 1993). It is the inconveniences, inefficiencies, and the constant threat of war within the state of nature that leads men to form a social contract whereby they resign a degree of their liberty to the state so that it may protect their natural rights. This is the extent of the role of the state.

The story of the social contract is not intended to be a story of historical fact. Rather, it is a political idea to explain and give legitimacy to the history and positioning of the state. It gives birth to a theory that both enables and explains the authority of the state and posits the origins of that authority in a free contract that is entered into by all men. In her groundbreaking analysis of this liberal tradition Carole Pateman (1988) exposes the social contract as heavily gender biased. Pateman argues that the 'social' contract is also a 'sexual' contract. The story of the social contract relies upon yet keeps concealed the underlying story of the formation of modern patriarchy. When men entered into the social contract for the formation of the liberal state, they also entered into a contract for the formation of the patriarchal order, legitimated and protected by the state (Pateman, 1988: 2). Men, not women, entered into the social contract. Women were deemed to be the property of men either as daughter or wife. The state, charged with the purpose of defending property rights was therefore responsible for ensuring men's domination over women.

The social contract maps out two distinct spheres that separate political and economic life from domestic life: the public and private spheres. The public sphere is of men, whereas the private sphere is where women work yet men dominate. The private sphere is sacred in liberal tradition in that it is where men enjoy their property (including their wives) without interference from the state. The social contract brought into being and legitimated the public / private split and in so doing made the work and lives of women domestic, exploited, and subordinate to men. Whereas men could pass between the public and private

spheres and dominate both, women were relegated to the private sphere and thus excluded from the political and economic spheres of men, from the structures of power, influence, and financial security and independence in society. In Pateman's view:

The social contract is a story of freedom, the sexual contract is a story of subjection. The original contract constitutes both freedom and domination. Men's freedom and women's subjection are created through the original contract – and the character of civil freedom cannot be understood without the missing half of the story that reveals how men's patriarchal right over women is established through contract... The standard commentaries on the classic stories of the original contract do not usually mention that women are excluded from the original pact. Men make the original contract. (Pateman, 1988: 5).

The public/private split and its accompanying gendered division of labour is evidenced by the contemporary experiences of women in the Third World. The adoption of neo-liberal economics in Third World countries (as affected by the World Bank and IMF) has exacerbated the exploitation of women and the feminisation of poverty. These consequences inevitably arise from the neo-liberal doctrine and its particular use of the public/private split that has the effect of justifying or normalising the subjugation of women.

Neo-liberalists argue that the doctrine is gender neutral, that because it is an economic agenda and not a social agenda it does not in itself impact on gender relations in society. Indeed the World Bank and other neo-liberal proponents argue that the economic agenda liberates women by encouraging their

participation in the workforce (World Bank, 2001b). This view is biased towards the analysis of individuals to the exclusion of any analysis of groups. Groups of people who are marginalised and oppressed as classes are invisible in neo-liberal ideology and hence so is patriarchy. Multi-lateral institutions such as the World Bank have, in the past, ignored the gendered dimensions of their neo-liberal policies. Not surprisingly, the gendered impacts of their policies have been far-reaching and World Bank programs have been criticised for impoverishing and dis-empowering women throughout the developing world⁹. For example, women's unpaid labour underpins the liberalist economy and yet is largely ignored. National economic measurements of production and output do not take account of an estimated \$11 trillion in world output that is the invisible work of women (United Nations Development Programme, 1995). The development of the capitalist free market system has relied on the undervalued role of women. The liberalist agenda offers no remedy to such structural injustice, indeed it relies on it. This gender analysis of the neo-liberal doctrine and its application in the Third World will be returned to in Chapter 7 where it will be grounded in my analysis of World Bank policies and practices in Indonesia.

I return now to the narrative of the World Bank's history that I began this chapter with, looking to the developments that took place in the early nineties in order to illustrate the path that the World Bank took to embracing civil society in its development agenda.

⁹ Consequences for women vary across class, culture, and geography. Some of the best sites for reading more on this include: <http://www.dawn.org.fj/> & <http://www.twinside.org.sg/women.htm>.

World Bank and NGOs

- *The Changing World Bank of the Nineties*

Throughout the nineties the World Bank's political environment began changing as multiple actors were interrogating the Bank and its role in developing nations. Since the 1980's US Congress in particular began exerting greater influence over the World Bank, using the Bank's need for replenishment of International Development Assistance (IDA) funds as leverage (Ruttan, 1995). Domestic political and economic interests and pressures - including by such disparate groups as environmental lobbies, shareholders and capital investors (American Banker, 1995; Savona, 1995), have primarily motivated them. There have been calls for allowing private banks and market forces to take on the role of development loans to Third World governments (Vries, 1987), as is the advice from the Far Eastern Economic Review:

The point, surely, is that even with the best intentions World Bank bureaucrats loaning out taxpayer dollars to or through governments simply do not have the economic incentives for performance that operate in the private sector. (Far Eastern Economic Review, 1994: 5).

Borrowers were also making demands in a climate of increased competitiveness for foreign lending to Third World countries. They demanded more confidentiality and complained that the Bank's voting structures effectively made it a tool of industrialised nations' – especially the US – economic and foreign

policy agendas. Other major actors making demands on the Bank were NGOs and activists who were difficult to ignore given their popular appeal and their success in lobbying governments:

Not only is the Bank tugged in different directions by donors and borrowers, but it is also coming under increasing pressure from non-governmental organisations, primarily anti-poverty and environmental groups. The NGOs...are increasingly potent actors both at the Bank headquarters in Washington and in the field. (Zyla, 1993: 51).

In addition the Bank had commissioned a number of internal reports that were deeply critical and embarrassing. A 1992 Bank Operations Evaluation Department (OED)¹⁰ internal report entitled, *World Bank Structural and Sectoral Adjustment Operations*, found that structural adjustment programs were not producing the expected growth rates that they were supposed to (Duncan, 1994). This was particularly the case with sub-Saharan African countries and in consideration of the negative social impacts of adjustment. Another damaging Bank commissioned report came in June 1992 relating to the World Bank's involvement in Sagar-Sarovar dam in Narmada Valley of India. This report confirmed the many criticisms of the Bank's work on this project voiced by activists, NGOs, and environmental organisations, including that the Bank readily ignored and/or made flexible its own policies and procedures in order to push through the project (Adams, 1994; Gerster, 1994; Kapur, Lewis & Webb, 1997).

¹⁰ Jonathon Pincus cites Bruce Rich in claiming: "The Operations Evaluation Department – although often a source of objective, informed criticism of Bank activities – is widely recognised as marginalised within the Bank and largely ineffective". (2001: 186).

Far more damaging than the Narmada Valley dam report was the Wapenhans Report. This report, published in December 1992 and entitled, *Effective Implementation: Key to Development Impact*, reviewed approximately 1,800 Bank projects in 113 countries totalling \$138 billion in loans (Chatterjee, 1994; Gerster, 1994; Kapur, Lewis & Webb, 1997). The Report found that over a third of all Bank completed projects in 1991 were judged as failures by the Bank's own staff. What's more, the failure rate had soared 150% over that decade. The Wapenhans report was highly critical of the Bank's lack of local input in policy and program design (Chatterjee, 1994). The criticism from these reports gained widespread public attention as the Brookings Institute notes in its authorised history of the World Bank:

There is little argument that, in terms of public and press perceptions, the Bank's image worsened rather badly in the latter 1980s and the 1990s. (Kapur, Lewis & Webb, 1997: 1209).

This left the Bank with serious legitimacy and credibility issues that threatened US Congress support and hence destabilised the Bank as an institution (The Economist, 1993b; Wright, 1994; American Banker, 1995; Swanson, 1995).

The persisting employment of structural adjustment lending (and other lending apparatus that carry similar conditionalities), as a tool to promote policy informed by neo-liberal economics, ensured that the Bank and IMF continued to come under sustained criticism from advocacy NGOs. The faith that the International

Financial Institutions place in this economic system to eventually bring rewards to those who struggle under the weight of such programs has not – in the eyes of their critics - proven justified. As Walden Bello, academic and activist, summarises:

Technocrats at the World Bank and the IMF view...social devastation as the “bitter medicine” Southern countries must swallow to regain economic health. But after more than a decade of structural adjustment programs, the technocrats still haven’t come up with an unqualified success story. (Bello, 1994: 18).

Davison Budhoo, a former IMF economist who resigned in 1988, voices his criticism:

1994 marks the 50th anniversary of the founding of the World Bank and the International Monetary Fund... As the North congratulates itself and celebrates, the South and its three billion poor will tear out their hair in rage. For the operations of these agencies there have been catastrophic. Instead of development and favourable adjustment, the Third World today is in an accelerated spiral of economic and social decline. (Budhoo, 1994: 20).

Since the late eighties concerned groups, organisations and individuals across the globe have become increasingly organised in voicing their opposition to policies of the International Financial Institutions (Fox & Brown, 1998), and in particular the World Bank:

In the 1980s... NGOs as a group posed challenges to the Bank. With their voices and silhouettes raised, moreover, they began to impinge on the multi-laterals more directly. (Kapur, Lewis & Webb, 1997: 1209).

Indeed, the Bank itself recognises the pressure that it was being placed under:

During the 1980s, the Bank was pushed in many directions: early in the decade, the Bank was brought face to face with macroeconomic and debt rescheduling issues; later in the decade, social and environmental issues assumed center stage, and an increasingly vocal civil society accused the Bank of not observing its own policies in some high-profile projects. (World Bank, 2002a: 1).

Critiques of structural adjustment were emerging from women's groups, academics, and the new social movements spreading across many developing countries¹¹. The increasing coordination of NGO campaigns saw the building of alliances and the galvanising of opposition to the Bretton Woods Institutions in a combined effort of protest, reaching deafening volumes in 1994 with the '50 Years is Enough' campaign. Like the more recent Jubilee 2000 campaign, the alliance brought together disparate NGO groups; large and small religious groups, political lobby groups, charitable aid organisations, and so on (50 Years is Enough, 2002). The campaign called for a moratorium on US contributions to the World Bank and IMF until they made fundamental changes. Bruce Rich, environmental activist and leader of the *50 Years is Enough* campaign, discusses some of the many events that took place at the time:

11 For example see: Schrijvers (1992), Bello (1994), George & Sabelli (1994), Survival International (1994), Amin (1995), Caufield (1996), Pettman (1996), Sayne (1996).

As the World Bank slouches toward its 50th anniversary, more and more voices are questioning its credibility and its legacy. On May 27th, 1993, 11 African heads of state gathered in Libreville, Gabon, where they heard U.S. civil rights leader Jesse Jackson denounce the effects of Bank policies on the poor in the developing world. “They no longer use bullets and ropes. They use the World Bank and IMF”, Jackson declared. In June, Republicans in the U.S. House of Representatives proposed an amendment to eliminate all U.S. funding of one of the Bank’s two principal lending branches, the International Bank for Reconstruction and Development (IBRD). The motion was defeated by only two votes. (Rich, 1994: 6).

He concludes that:

The World Bank is an institution out of time and place. Fifty years of the Bank as we know it is enough. If, indeed, the role of multi-lateral institutions is an important one in the new world order, the World Bank must literally remake itself, open its files, end its secret ways and document and learn from its mistakes – not merely on projects, but in the foundations of its economic policy prescriptions. (Rich, 1994: 13).

- ***The World Bank embraces Civil Society (and finds NGOs).***

The World Bank has climbed onto the NGO bandwagon in a big way... From a nearly unmentioned liaison ten years ago, the Bank-NGO connection has grown to take a place on the Bank’s official 50-year time-line of its history. (Nelson, 1995: 1&3).

Slowly and cautiously throughout the eighties and then with greater rigour throughout the nineties, and in particular since Wolfensohn's appointment as President in 1995, the Bank began a dialogue with "civil society" which effectively meant NGOs. Beginning with the 1981 Operational Policy Note on NGOs, and increasing throughout the 1990's, there was the appearance of growing collaboration between NGOs and the World Bank (World Bank, 1991a).

James Wolfensohn was named as World Bank President in 1995. Wolfensohn had been a highly successful investment banker in the US. Supporters of Wolfensohn argued that he was the perfect balance between economic and environmental sensitivity. Since 1995 the Bank, with Wolfensohn at the helm, has rigorously pushed the agenda of World Bank engagement with civil society more so than at any other time in its history (World Bank, 2001e). The Bank now argues partnerships with NGOs increase project effectiveness and hence NGOs have utilitarian value in the World Bank's vision of development.

Wolfensohn has challenged the Bank's detractors by appearing, at least in rhetoric, to take on board their concerns. He has seemingly promoted the agendas of environmental, women's, and anti-poverty lobby groups (Pincus, 2000), and cultivated the image of an all-round and caring World Bank. He has actively encouraged dialogue with what he calls civil society, but who are actually NGOs. The Economist writes:

It is impossible to doubt the passion that Mr Wolfensohn brings to his job. He has pressed palms in more than 40 countries in 16 months; he has welcomed co-

operation and criticism from non-governmental organisations, private foundations and anyone else who shows the slightest interest. No two-bit NGO is too small for a word with Mr Wolfensohn, no photo opportunity worth missing. Like a true diva, he basks in the limelight and loves to be loved. (The Economist, 1996a: 71).

James Wolfensohn vigorously pursued a rhetoric that espoused his desire to promote dialogue with the non-government sector and civil society. At a speech in 1997 Wolfensohn said:

The voice of civil society, the voice of all of you, is not a fringe activity. It's central to the development process. What we must have in terms of the new paradigm of development is a partnership which works, where we get over the stereotypes, the stereotypes that many of you have had of the Bank of being tough, arrogant, not listening and dictating. Listen now to what the Bank is doing, and I have to tell my colleagues to listen to what civil society is saying. We need each other, because the objectives of a civil society and the objectives of the official organisations are not on some different paths. They are to make the world a better place and to give people opportunity, such as, education and better health. It is a person-to-person, people-to-people, opportunity giving for these countries, and we can have an interlinked justification, and we can have a moral justification, and we can have a social justice justification. (Wolfensohn, 1997b: 69).

By 1998 Wolfensohn had employed more than 50 NGO representatives in the field and established regional consultative groups in some regions (Wolfensohn, 1998a).

In 1999 Wolfensohn launched his vision of the Bank's development work for the future, in a discussion paper entitled, "*A proposal for a Comprehensive Development Framework*" (Wolfensohn, 1999). This document built on the agenda of the post-Washington consensus by talking about the importance of two sides of the development coin. The first is the importance of getting the macro-economic fundamentals right to create the right environment for economic growth and financial stability. Wolfensohn sees this as the role of the IMF. The flip side of the development coin is the structural, social and human dimensions of development, with the World Bank playing a vital role here. The document evidences the Bank's unwavering support for the neo-liberal economic doctrine but also embraces a neo-liberal political vision, particularly in its emphasis on the vital role of civil society to the development project. In relation to civil society the document states that:

In all its forms civil society is probably the largest single factor in development... Certainly greater cooperation with governments, multilateral and bilateral agencies and the private sector would be beneficial to all... Depending on local political circumstances, civil society has a greater or lesser voice, but our experience is that by engaging civil society in projects and programs, better results are achieved both with design and implementation and usually greater effectiveness, including more local ownership. (Wolfensohn, 1999: 11).

To achieve this neo-liberal ideal the Bank requires a compliant civil society that supports its vision of development.

In, researching World Bank documents it has become apparent that the term ‘civil society’ is often used by the World Bank as a pseudonym for NGO. The World Bank’s thematic groups and departments demonstrate a clear articulation of the distinction between civil society and NGOs, where NGOs are one sub-group of the broader category of civil society (World Bank 2000a). However these units are distant from the Bank’s core business of lending. In practice the World Bank treats NGOs as the representatives of all of civil society.

▪ *NGOs respond to the new World Bank*

The response from critics within the NGO community to the Wolfensohn agenda have ranged from sceptical to out-right hostile, not least of all because NGOs question the Bank’s insistence that it can be all things to all interests (Schrijvers, 1992; Nelson, 1995; Caufield, 1996; Hulme & Edwards, 1997; Fox & Brown, 1998; Bello, 2000b; Wilks, 2001). Critics tended to take a wait and see approach. Doug Hellinger from the US based advocacy NGO the Development Gap said:

Wolfensohn is still our last, best hope to bring about change... Unless there are fundamental changes in the way the Bank operates, this honeymoon may soon be ending. (Cited in Stokes, 1997: 1846).

And Bruce Rich acknowledges that:

Wolfensohn created an atmosphere of being more open to (campaigners) and civil society and for that he deserves credit. (Cited in Fidler, 2000: 1).

What's more, the Bank ignores the critique of its development doctrine. Lisa Jordan from an advocacy and information NGO called the Bank Information Centre writes about the World Bank's tendency to try and please all in its rhetoric:

This is the "win-win" discourse, unique to the Bank, which subsumes environmental objectives to the paramount economic growth objective. The "win-win" discourse belies the need to make hard choices, does not acknowledge losers (who for example pay for pollution or are displaced in some development processes), and suggests infinite (though managed) economic growth is possible without material harm to the ecosystems upon which life depends. (Jordan, 1997: 2).

Alongside this goes an increasingly critical commentary regarding the World Bank's expansion into a plethora of issues. Catherine Caufield writes:

In recent years the Bank has adopted – if only superficially – virtually every suggestion its supporters and critics have offered, with one exception: that the Bank practice self-restraint. It is now committed, at least on paper, to helping the private sector, women and the poor; to working with non-governmental organisations and the people directly affected by its projects; to increasing its lending for education, health, nutrition, and micro-enterprises; to protecting or improving the environment; to reducing military expenditures and corruption; to promoting openness in government, the rule of law and equitable income distribution – and to doing it all 'sustainable'. (Caufield, 1996: 306).

The World Bank's expansion into such a wide array of areas is seen by some as a way of increasing its influence and control over developing countries, their

governments and political and economic agendas. It has also been criticised on the grounds that commitments to these issues lack substance and are largely rhetorical:

The World Bank focuses on economic growth until it is distracted by other issues like hunger, women, health, the environment, etc. The World Bank tries to adapt itself to these considerations without giving up its basic goal. It adopts the rhetoric of all these issues quickly, but it cannot easily translate that rhetoric into action. Conservatism at the Bank's core makes doing this extremely difficult. (Yunus, 1994: IV).

Some NGOs, while highly critical of the Bank, take the position that NGOs can work together with the Bank in order to reform it, arguing that engaging with Bank staff could be a positive step in the reform process. A much publicised example of NGO – World Bank collaboration is the SAPRI (Structural Adjustment Participatory Review Initiative), launched by the Bank in 1996. The SAPRI is a collaborative effort between civil society (in reality some NGOs) and the World Bank to examine the impact of structural adjustment programs on the poor. Wolfensohn was eager that some of the Bank's harsher critics become involved.

Kamal Malhotra, co-director of the research based organisation *Focus on the Global South*, has called for the Bank and IMF to be shut-down, yet he was also the civil society Asia Regional Coordinator for SAPRI. The engagement of the Bank with such outspoken civil society critics through the SAPRI project has

caused a great deal of debate and even fear amongst the NGO community. Kamal Malhotra writes of this:

It is...important for the sceptics on the civil society side to know that the civil society groups engaged in SAPRI are amongst the longest standing and most consistent critics of the World Bank... the concern about cooptation of civil society through SAPRI that some have expressed is not well founded and should be put to rest. SAPRI is about critical engagement with the Bank on some of the most central and fundamental societal issues; it is certainly not cooptation of civil society by the Bank. (Malhotra, 1998: 2).

So some of the Bank's harshest critics see some value in engagement, albeit with great trepidation. The question is whether the World Bank as an organisation will be changed as a consequence of engagement with NGOs, or will NGOs be co-opted into the Bank's development agenda? How does NGO engagement benefit the World Bank and its objectives? What benefits accrue to NGOs and their objectives? David Hulme and Michael Edwards raise these questions in their book, *NGOs, states and donors: too close for comfort?* (Hulme & Edwards, 1997). They question relationships that have become so cosy as to dilute the role of NGOs in developing radical alternatives to dominant development paradigms. In Gramscian terms, there is the danger that NGOs become that part of civil society that sustains the hegemony of ruling elites and ruling ideas, rather than undermining them.

Furthering the Debate on World Bank – NGO relations

It is from these questions and debates surrounding the engagement of NGOs by the World Bank that my thesis topic arises. This thesis explores the World Bank's efforts to engage with NGOs and in so doing it seeks to add to these debates. The World Bank is heavy on rhetoric – as some of the above quotes illustrate – does its rhetoric lack substance? Wolfensohn has promoted dialogue and engagement on the grounds that together NGOs and the World Bank can achieve their shared goal of “*A World Free of Poverty*”. However, such statements fail to take account of many of the critical positions that civil society organisations take, glossing over fundamental differences in economic direction and political frameworks as if they don't exist. In so doing, sentiments and rationales for engagement only serve to feed the widespread conclusion on the part of NGOs that the World Bank doesn't really listen to them. I want to question the extent to which the Bank's rhetoric and dialogues with civil society signal transformation of the Bank, and if so in what direction? I explore such questions through the Indonesian case study. My next chapter overviews the history of Indonesia, particularly after Suharto came to power, and the World Bank's role in its development project.

CHAPTER 3 - FROM SUHARTO TO CRISIS AND *REFORMASI*

“Human rights have practically disappeared... The law offers almost no guarantee or protection... Power is centred absolutely in one hand, that of head of State. The nation’s wealth has been used for personal gain, and squandered on flashy projects that have destroyed the economy”. (Cited in Cohen, 1998: 22).

These are Suharto’s words to the Indonesian Parliament of 1967, informing them of what went wrong under Sukarno. Ironically, it is an accurate portrayal of his rule.

Introduction

Suharto came to power in 1966 after a bloody coup that saw the slaughter of hundreds of thousands of people across Java, Sumatra, and Bali. He, then Major General of the Armed Forces, took power from Sukarno by promoting student uprisings and the use of the military and the Islamic groups to rid Indonesia of “communists”, thereby breaking Sukarno’s strongest support base (Schwarz, 1999). Suharto rode to power with the assistance of popular unrest over a weak economy. Ironically it was popular unrest triggered by an economic crisis 32 years later that finally brought him down.

Understanding contemporary Indonesian politics and political culture requires a brief examination of the twentieth century history of Indonesia as Lloyd and Smith advise:

One should always be mindful of the need to study the present with reference to the past, rather than the past with reference to the present. (Lloyd & Smith, 2001a: 311).

This chapter illuminates Indonesia's history in a way that will contextualise my research findings and conclusions. It provides a foundation for building ways of understanding the World Bank and NGOs in Indonesia, and their relations. I begin this process by first looking at the mainly political, but also economic, history of Indonesia throughout the course of the twentieth century, with particular reference to the later part of the century after Indonesian independence in 1947. This history centres on the rule of Sukarno and Suharto. The chapter then examines the economic and political crisis in Indonesia in 1997 and 1998. This period is important because it proves to be a watershed for World Bank-NGO relations. I then detail the World Bank's history in Indonesia and the close relationship that it developed with the Suharto regime. Chapter 4 then picks up on the World Bank's history in Indonesia to look specifically at the development of its relations with NGOs.

Political history of Indonesia to the end of Sukarno's rule

- ***The Colonial Period***

Prior to the Indonesian colonial period that began in 1599 Indonesia was largely controlled by indigenous rulers and divided into hundreds of distinct ethnic indigenous regions. The Dutch military gradually imposed colonial rule over

these regions, eventually uniting them under one political system and into one state called the Netherlands East Indies (Cribb & Brown, 1995). The creation of the unified state in Indonesia occurred incrementally as ethnically, culturally, and religiously diverse groups were brought under one umbrella colonial administration. As Lev and McVey point out:

Indonesia's experience in the making of nation and state is particularly instructive, for the archipelago had no common identity prior to its incarnation as the Netherlands East Indies. And, since some parts experienced less than half a century of foreign rule while others were deeply transformed by centuries of colonial exploitation, the experience of Dutch dominion divided local populations as much as it brought them together. (Lev & McVey, 1996: 11).

The colonisers employed brutal tactics to enforce their will, exploited the trade resources of Indonesia, and did not industrialise the country because it was not necessary to their wealth accumulation (Pabottingi, 1995). The Dutch employed a system of taxation similar to that of the Javanese rulers before them. Taxes were paid either in kind, in labour, with personal services to the King and officials, or with military service (Schwarz, 1999). The legal system was divided with one rule for the Dutch and another for the colonised people. They also put in place a system of colonial rule that saw them have very little direct relationship with the colonised people, creating an elite distanced from the people.

By the earlier part of the twentieth century some Indonesian people (most often from the urban educated classes), began to organise in opposition to Dutch colonial rule. This period saw the emergence of various social movements based

on Islam, nationalism, and/or communism. For example, Sarekat Islam (Islamic Union) and Muhammadiyah were both founded upon Islamic ideals and established in 1912. The Indonesian communist party (PKI) also grew rapidly as did nationalist movements such as the PNI (the Indonesian Nationalist Party), founded by Sukarno in 1927 (Schwarz, 1999). Hence Dutch rule was faced with increasing internal resistance.

In the two decades leading to the Second World War the Dutch increasingly suppressed the Islamic, nationalist, and communist social movements that were demanding independence. However, in 1942 they surrendered to the invading Japanese army. For a short time Indonesia's nationalist leaders were hopeful that the Japanese would help them secure their independence. However the Japanese, like the Dutch before them, subordinated the interests of the Indonesian people to their own. Japanese occupation fuelled Indonesian Nationalism, uniting disparate Islands and cultures in a struggle against the occupying forces. After the Japanese surrendered to the allied forces in August 1945, Indonesian independence was proclaimed and a new government was formed.

- ***Independence***

The leaders of the newly formed nation became embroiled in debate over whether the new Indonesian State should be an Islamic state. It was during this time that Sukarno emerged as a visionary leader and developed *Pancasila*. Pancasila is a set of five principles that Sukarno believed could be shared by all Indonesians regardless of their religious and/or political affiliations. Its intention was to unify

disparate groups and ideas and break the deadlock over the issue of creating an Islamic state. Pancasila embraced Islamist ideals and enshrine them in the constitution without transforming Indonesia into an Islamic state. In brief, the principles were Belief in God; National Unity; Humanitarianism; People's Sovereignty; Social Justice and Prosperity (Cribb & Brown, 1995: 16). The principles of Pancasila were to guide the development of the new Indonesian nation and promote national identity (Robison, 1993). However, the principles of Pancasila were never clearly defined and lacked substance for practical application. This weakness led to the manipulation and exploitation of its principles in the process of nation building.

Shortly after Independence was proclaimed on the 17th of August 1945 the KNIP (Indonesia's transitional parliament) appointed Sukarno as President and Hatta as Vice-President, adopted a provisional constitution, and set up an operational bureaucracy from the old Dutch administration. Shortly thereafter the Dutch attempted to re-claim their former colony and a four-year war followed. The Dutch came under increasing international pressure to allow Indonesia its independence, particularly given the concern of the USA and other Western nations that a protracted war might lead to communist revolution (Cribb & Brown, 1995). This, in addition to unrelenting guerilla campaigns throughout Indonesia, saw the Dutch give up their attempt to rule Indonesia, ending the War of Independence in December 1949.

The Dutch colonial period, followed by the periods of Japanese occupation and the war of independence, lay the foundations for an authoritarian elite state and

corrupt bureaucracy (Uhlin, 1997). Anderson (1972) argued that although Indonesia gained independence the revolution largely failed because the structures of the colonial state, although weaker, were left intact. The war also created a military machine that, upon crediting itself with delivering independence to Indonesia, promoted itself as the embodiment of the 'revolution'. It used the rhetoric of protecting the revolution to increasingly dominate Indonesian political and economic life and became fiercely nationalistic.

Independent Indonesia has seen three phases of nation building beginning in 1950 with "*The Democratic Experiment*". The attempt at building a parliamentary democracy in Indonesia was plagued by the plethora of political and economic problems that it inherited in the wake of independence and eventually failed by 1957. It failed in the face of enormous demands and the inability of those in power to unify the ideological, political, and economic agendas of the organisations and interests they represented (Ricklefs, 1993: 237).

The parliament became increasingly factional around three pillars: the Islamists, the military, and the communist party each bidding for dominance. In 1958, with the support of the military who feared both communist and Islamic dominance, Sukarno began his push to have the constitution of 1945 re-instated¹². On 5th July 1959 he succeeded and the second era of Indonesian nation building - Sukarno's

¹² The constitution of 1945 was a framework for authoritarian style rule, whereas the 1950 constitution was a framework for parliamentary democracy in that it protected individual rights, reduced the powers of the President, made the military subordinate to the civilian government, and introduced safeguards against the misuse of power. (Schwarz, 1999).

era of “*Guided Democracy*” - began. From this time on the military would become increasingly powerful in all levels of politics and government.

- ***Sukarno’s Rule***

Sukarno dissolved the parliament and replaced it with the *Gotong Royong Parliament* (GTR), named after traditional Indonesian decision making processes at the village level. John Legge, in his political biography of Sukarno, describes this style of parliament as one that brings together all of the major parties from the parliament into a representative cabinet, including the PKI (Indonesia’s communist party), Muslim parties, and the military. Together they would reach consensus on national policy and promote national unity. He further established a National Council that was to be representative of all the groups in Indonesian society he termed ‘functional groups’, including peasants, unions, intelligentsia, religious organisations, etc. John Legge describes Sukarno’s understanding of government thus:

He rejected the idea of liberal democracy on the grounds that it was a Western import and that it allowed the coercion of minorities by mere majorities. This was not the Indonesian way. Sukarno claimed to find an alternative mode of reaching decisions at the heart of Indonesian society – within the village assembly. There decisions were made only after prolonged and careful consideration... Liberal democracy was based on conflict – the procedures of deliberation and consensus would promote harmony. (Legge, 1972: 283).

Sukarno’s model may have been built upon notions of consensus building and

national unity, however he positioned himself as the leader to negotiate the consensus. The changes to the political system created a powerful executive and subordinated the legislature, thereby rendering political parties powerless. Sukarno used his powerful skills of oration to promote his vision of the Indonesian nation and its identity.

Cribb and Brown note that Sukarno was intensely focussed upon the international order and emphasised the unjust subjugation of the colonised nations at the hands of imperialists such as the United States and Britain, a position that saw his relations with these nations deteriorate over the course of his leadership:

He stressed that Indonesians needed to see themselves as being part of a great global movement of peoples united in their struggle against colonialism and oppression... This struggle was a global one, but Sukarno also made it a personal one for Indonesia and Indonesians... Sukarno sought to reaffirm national unity by stressing what the alleged enmity of outside powers was costing the Indonesian people. Thus he argued that Indonesia's subordinate place in the world economy and the consequent poverty of so many of its people, despite the country's abundant natural wealth and human resources, was the result of a global imperialist order. (Cribb & Brown, 1995: 85).

To this end, Sukarno rejected the Western capitalist order and formed close relationships firstly with the USSR and then China. His position cost Indonesia in terms of its international status and positioning in the international economy.

Sukarno was a potent leader in terms of revolutionary politics, however he

neglected the economy to the extent that by the mid-1960s it was in ruin (Pabottingi, 1995). In addition, he alienated foreign investors and donors and showed little budgetary restraint in promoting Indonesia's geo-strategic interests in the 'confrontation' with Malaysia and the protracted dispute with the Dutch over the recovery of West Irian to Indonesian control (Legge, 1972). Massive funds were channelled to support these campaigns in a climate of severe economic hardship and widespread absolute poverty.

The nationalisation of industry introduced by Sukarno enabled the military to extend its influence over economic interests, taking control of numerous private enterprises it began to routinely exploit them, further embedding corruption. Although the military was emerging as an increasingly powerful political force, it was not content either with Sukarno's deepening ties to the PKI or with its own perceived lack of status. Islamic groups too, found themselves increasingly disturbed by Sukarno's rhetoric and his close relations with the PKI.

The PKI had increased in size and influence throughout Indonesia. It had widespread support and was very well organised:

In the fifteen years that followed the Indonesian revolution, the Partai Komunis Indonesia (PKI) grew from a motley sect of a few thousand to be the largest non-ruling Communist party in the world. It claimed three million members and twenty-two million in its mass organisations. Its displays of disciplined support were so impressive that many were persuaded that the sheer weight of its presence might bring it to power. (McVey, 1996a: 96).

Many groups with particular vested interests and aspirations for power feared a PKI led future, a likely prospect if granted Sukarno's support. Islamic groups, the military, nationalists and anybody with interests to lose in a communist future (industrialists, business, landowners, etc), worked to undermine Sukarno (McVey, 1996b; Schwarz, 1999). By 1965 conspiratorial rumours created by these political tensions rippled throughout Indonesia. Rumours of a coup were common, particularly in light of Sukarno's failing health and speculation regarding his likely successor. As positions began to polarise violence erupted in various regional localities between the different factions and forces in Indonesia resulting in deaths. But not as many as those that were to come in the period that saw Suharto bring down Sukarno and Guided Democracy (Berger, 1997).

The actual events that took place to oust Sukarno are not clear and the subject of much debate in the literature. The official version of events as promoted by Suharto and the Western media, (see Pilger, 2002), complicate the discovery or even discussion of actual events. Suharto and Western interests reported that on the night of 30th September 1965 a group of army officers initiated an abortive coup. They kidnapped and killed seven senior army generals. Suharto was not on the kidnapper's list. Suharto took control of the armed forces and led their response on 1st October 1965. He publicly denounced the 30th September Movement and took control of Jakarta (Legge, 1972). This Suharto version of events has rarely been challenged. However, a 1966 'Cornell Paper', written by Benedict Anderson and Ruth McVey stands out as an alternative and plausible theory (Schwarz, 1999). They proposed that the coup was a result of internal divisions within the army. Younger Javanese officers, jealous of the corrupt and

opulent lifestyles of the Jakarta based generals, orchestrated the coup against older Jakarta officers. Such views have not been welcomed by Suharto's New Order, as Schwarz summarises:

The Cornell version, however, is akin to heresy in New Order annals which not only hold the Communist Party responsible for the coup, but have made communism an enduring bogeyman to be dredged up regularly to dismiss and delegitimise criticism of the ruling regime. Not even the end of the Cold War has cooled the enthusiasm of New Order leaders for stamping the communist label on unwanted political activity. (Schwarz, 1999: 20).

In the months that followed the 30th September, Indonesia erupted in a bloodbath as Suharto led a massacre of communists and suspected communists. An estimate of the numbers dead range but it is generally believed that at least 500,000 people were killed (Barber, 1977; Bouchier, 2001; Pilger, 2002). However the figure could be up to one million. Geoffrey Robinson compares the tragedy to other massacres of the twentieth century:

In percentage terms, these figures are comparable to losses suffered in Cambodia, over a much longer period of time, under the regime of Pol Pot. The rise of General Suharto and other anti-Communist elements in the military, their active encouragement of violence against the PKI, and the acquiescence of the United States and its powerful allies, were especially important in creating the preconditions for widespread killing. (Robinson, 1996: 119).

As many as 5,000 of those killed were people identified to Suharto and the military as communists by the CIA. One of the CIA's officers described the affair

as a “*model operation*” (Pilger, 2001). The journalist John Pilger quotes British and US responses to the massacre:

In 1966, the US ambassador in Jakarta assured Suharto that the “US is generally sympathetic with and admiring of what the army is doing”. The British ambassador, Sir Andrew Gilchrist, reported to the Foreign Office: “I have never concealed from you my belief that a little shooting in Indonesia would be an essential preliminary to effective change”. Having already armed and equipped much of the army, Washington secretly supplied Suharto’s troops with a field communications network. (Pilger, 2001: 3).

Although the military encouraged and directed the killings, they generally did not take part in all of them. Instead, they recruited, led, and armed local militia groups to carry out many of the killings for them. The deep-seated antagonisms between the different groups and the hardship of continuing economic disaster had manifest in a hatred for communists. Communism became the scapegoat for the nation’s economic woes and political hardships. Rumours of horrifying tortures and plans by communists to massacre innocent people added to the atmosphere of hysteria and fear that gripped Indonesians. Anyone who objected to the mass killings risked being branded communist and killed. The killings became a test of loyalty (Cribb & Brown, 1995). Lev and McVey point out that:

Participation in the nation meant taking part in the extermination of the enemies of the state. It was a stark statement of a major shift in ideological emphasis, from the community of the nation to the discipline of the state. (Lev & McVey, 1996: 22).

Sukarno's control over the military was, by 1966, lost to Suharto. Suharto prolonged the violence to put pressure on Sukarno to resign. Sukarno effectively handed power over to Suharto on 11th March 1966, granting him control of the nation to restore order. Suharto immediately banned the communist party and purged the military of Sukarno supporters. Sukarno's Presidency was officially revoked in March 1967, at that time Suharto was appointed acting President and Sukarno was placed under house arrest. The impact of the Sukarno period and the events that brought Suharto to power continue to ripple throughout Indonesia.

Suharto and The New Order Regime

Now the revolution, or attempts to revive it, was truly over. In the New Order that was erected on the ruins of Guided Democracy one was not supposed to refer to the "Revolution" but to the "War of Independence," for revolution's implication of instability and systemic change had become unacceptable. What mattered now was order and control; state-building was the central political task. (Lev & McVey, 1996: 220).

The downfall of Sukarno saw the emergence of the third phase of Indonesian nation building, or more accurately regime-building. The "New Order" Government of Suharto immediately set about transforming and channelling Indonesian political aspiration into the project of economic 'development'. Development became a quest to which all else was subsumed. Political stability was crucial (Bourchier, 2001). Suharto built a strong state to resist the interests of the different powerful groups in Indonesian society and subordinate their agendas to his own. He built his hegemony with the patronage of the military and

bureaucracy and constructed networks of civil society and authority that reached from the centre of power in Jakarta to local villages and back again, described by David Jenkins:

Suharto stood at the apex of the pyramid: his appointees sat in each of the key executive, legislative, and judicial branches of government... His writ extended into every department and into every state-run corporation; it reached down if he chose, to every village, (quoted in Schwarz, 1999: 37).

Suharto saturated all levels of Indonesian society with his ideological constructions. Patronage was rewarded and dissent was punished. Suharto built frameworks of rules, expectations, prescriptions, and norms, for the purposes of regulation and control. In other words he built a regime (Evans & Newnham, 1998).

▪ ***New Order Political Landscape***

Upon coming to power in 1967 Suharto implemented a type of ‘corporatist’ structure for political relations (Robison, 1993), borrowing Sukarno’s idea that all groups in society would be represented in the parliament through the different ‘functional groups’ to which they belonged. The illusion of participation masked the essentially authoritarian political order that was created. Suharto ensured control of the national executive by implementing a new election process whereby the President selected all nominees. In addition to this he increased the number of presidential appointments to the two main houses of government,

granting himself the right to appoint 20% of the DPR (the People's National Representative Assemble – Indonesian Parliament – comprising 500 members) and 60% of the MPR, (the People's Consultative Assembly of Parliament comprising 1,000 members and responsible for constitutional matters and election of the President and Vice-President). Decision-making was centralised in the hands of the President, thus enabling Suharto to focus on fortifying the vital institutional instrumentalities of governance and control (Robison, 1993). Further, the bureaucracy was permeated with New Order loyalists at all levels of its hierarchy, creating an effective administrative arm for the New Order.

The political party system was transformed by the New Order. It constructed a new political landscape comprised of one dominant association – Golkar. Golkar represented a number of 'functional groups', the largest of which was the entire bureaucracy (Appelbaum & Henderson, 1992), and Golkar became the New Order's major political vehicle. Massive intervention and corruption of the 1971 election ensured Golkar's success and decimated other large political parties (Schwarz, 1999). Then in 1973 the number of political parties was reduced through negotiation and coercion, from 9 parties (not including Golkar) to 2 (the PPP and the PDI). The population's political participation was restricted to voting in a rigged election once every five years. The New Order affected political dominance by incorporating remaining political parties into the New Order parliamentary apparatus – effectively disarming potential challenges. It is within this environment that NGOs operated both as advocacy groups and as service delivery agents.

Upon coming to power Suharto's military machine immediately set about cementing and building upon its central position in Indonesian political, economic, and social life. It constructed the concept of *Dwifungsi* (meaning dual function), to legitimate its role in both protecting the nation from external aggressors and also promoting internal stability (Crouch, 1988). Political stability rested upon the suppression of challenges and opposition to the New Order. To this end the purge of leftists continued, not only by way of sporadic mass killings but also through the use of arrest and imprisonment (Cribb & Brown, 1995).

The military came to prominence at every level of Indonesian life and would routinely make decisions on civilian matters, achieved by way of a parallel military administration and hierarchy. It controlled large shares of industry and fostered its own systems of patronage. Militia groups or gangs in urban and rural areas were often armed, led by local military units and assigned tasks that promoted military economic and political interests. In addition, the military maintained a network (both military and civilian) for grassroots surveillance and infiltration (Liddle, 1999).

- ***Suharto-Style Economics***

As soon as Suharto came to power he implemented an aggressive plan for economic development, granting Indonesia's new breed of economists (named technocrats in Indonesia) license in determining and implementing economic

policy¹³. They focussed on three different strategies: the rigorous pursuit of foreign investment by way of an open door policy to investment together with a controlled domestic market; the adoption of a liberal policy of increased productivity; and export-orientated industrialisation. Labour was made compliant, as was the environment. These measures quickly produced economic growth and expansion (Yim, 1995).

Given Indonesia's appalling economic circumstances at the time, the initial aim of Indonesia's technocrats was to ensure Indonesia was not bankrupt and to that end, they negotiated debt re-scheduling and new loans. This was achieved by a dramatic reversal of Sukarno's nationalist economic policies in favour of integration into the global economy. Foreign investment in the exploitation of Indonesia's rich natural resources (particularly oil and timber) was encouraged and hence production in these areas grew rapidly. Indeed Indonesia came to rely heavily upon its natural resources, especially oil, for its economic growth rates and revenue base. In view of its recently adopted liberal economic outlook, credit was enthusiastically extended to Indonesia.

These strategies appeared successful; between 1967 and 1981 the economy grew at the rate of 7% or more per year. However during the 1980s it fell to just over 3%, forcing Suharto to make concessions to the international neo-liberal economic community by way of a series of economic reforms. In 1986, for

13 This is discussed in greater length in the section of this chapter titled: The World Bank's place in the history of Indonesia.

example, the price of oil plummeted and Suharto was forced to rely on his economic advisers (technocrats) who introduced wide-ranging neo-liberal reforms including the re-vitalisation of the stock market, de-regulation and incentives for foreign investors, reduced trade barriers and promotion of exports (Vatikiotis & Schwarz, 1998). The market and the international aid community responded positively and money began pouring into Indonesia again (Vatikiotis & Schwarz, 1998). Indonesia's economic recovery in the 1990s saw it once again achieve growth rates exceeding 7% (Baker, Soesastro, Kristiadi & Ramage, 1999). What's more, Indonesia's per capita income grew 4.5 percent annually after Suharto came to power, and by the mid 1990s was four times what it had been in 1965 (Baker, Soesastro, Kristiadi & Ramage, 1999). The transformation in Indonesia's economy from the late 1960s excited the international financial community and they continued to pour in investment financing, in spite of the political and industrial oppression that was used to obtain such spectacular growth.

Suharto's personal style in terms of economic management had been to maintain a 'closed shop' between himself and a handful of economic, military and political powerhouses (Robison, 1993). There was little by way of accountability and transparency on the part of those making powerful economic decisions. Lucrative contracts and deals were shared amongst Suharto's cronies. Suharto managed to ensure that the economy served both the interests of capital controllers (including the World Bank's interests) as well as his own. At those times when Suharto had access to resources from the state coffers he could afford to stave off the demands of capital controllers, including the World Bank, in order to service his system of

patronage. However, the balance of power shifted in favour of international capital controllers when state revenue was low, for example during the 1980s oil price slump. It was at this time that the World Bank used its leverage to compel Suharto to institute Washington consensus style economic reforms and shore up the interests of international capital investors (Winters, 1996). However leverage was rarely employed to challenge repression or eliminate corruption. Suharto and his family amassed an enormous financial base from lucrative deals with foreign investors and from resource and land exploitation conducted through state owned companies. KKN, the Indonesian acronym for corruption, cronyism and nepotism, flourished under Suharto, as it became currency in a complex system of patronage.

Laksamana Sukardi describes Suharto as:

The master of crony capitalism...Suharto managed to make Indonesia the most blatant example of crony capitalism in the history of world economics. (Sukardi, 1999: 2).

Suharto achieved this, Sukardi explains, by ‘commercialising power’ with the assistance and participation of the military and the bureaucracy (Sukardi, 1992). Suharto ran the government as a power franchisee in that power was issued to Suharto cronies in return for resources and patronage. Cronies – or power franchisees – were granted economic, legal, and political privileges and protection, in return for their active support of the regime and Suharto. Much of the role of the military and bureaucracy focussed upon ensuring the stability and

continuation of this system. For investors, this system of patronage was the only door to business in Indonesia. The benefits of participating in the system and becoming a holder of power were very lucrative (Sukardi, 1999). Indonesia's rich natural resources, in particular its oil, and large foreign investments, ensured that immense sums poured into the state coffers and thus funded the regime's system of power patronage. The regime used this system to attract NGOs and other civil society organisations into the network of patronage, in exchange for development funds and status the state demanded compliance and support.

Richard Robison describes the system as one where political stability for Suharto is granted by a broad range of coalitions and secured by the promise of continual economic growth. He argues that:

Large numbers of bureaucratic families have directly entered the world of business, led by the Suharto family itself but repeated on a descending scale down to local and regional officials. Hence, the most powerful of the politico-bureaucrats tend to have quite direct interests in ensuring capital accumulation, not only as a general proposition but for specific corporate entities, ...this broad coalition is bound to the New Order because it provides political stability – meaning protection from populist political challenges – and economic growth. (Robison, 1993: 46-47).

The regime maintained a strongly interventionist role in the nation's economic affairs even though it embraced many neo-liberalist economic policies (Basri, 2001). It protected national enterprises and industries through tariffs, monopolies, and state funding. It appropriated resources and power for various political and corporate interests, who in turn supplied the regime with capital and 'rents'

(Robison, 1993). It is for this reason that Indonesia's political economy under Suharto has often been described as a 'rentier' or 'rentier militarist' state/economy (Basri, 2001; Tanter, 1990; Tornquist, 1990), that was integral to the promotion of an elite capitalist class in Indonesia (Robison, 1993).

- ***Controlling the Population***

Suharto had violently demonstrated his willingness to employ repressive force to achieve his political goals in the massacre that brought him to power (Liddle, 1999). Thereafter he developed a plethora of institutions and processes for political control. They were far-reaching and ranged from military and militia surveillance, to manipulation of development aid programs and controls on non-governmental and mass social organisations (these will be discussed in greater length in Chapter 4). Popular unrest was quelled, sometimes violently but also by way of labelling and marginalising dissidents and their organisations, including many advocacy NGOs. Media was controlled through the Ministry of Information.

From the mid 1970s and throughout the 1980s Suharto aggressively attempted to de-politicise the population, employing Pancasila as official state ideology (Lev & McVey, 1996) and 'development' the national objective. The principles of Pancasila lacked solid application in nation building and hence were easily manipulated to embrace the ideological interpretations that Suharto granted them, they became a call to 'development' via the vehicle of authoritarianism. In Suharto's own words:

The democracy that we practice is Pancasila. Briefly, its major characteristics are its rejection of poverty, backwardness, conflicts, exploitation, capitalism, feudalism, colonialism, and imperialism. This is the policy I have chosen with confidence. (Reproduced in Schwarz, 1999: 24).

The ideology of Pancasila and the virtues of economic development pervaded Indonesian society through the media, government bureaucracy, education, and government organised civil society groups (Lev & McVey, 1996; Liddle, 1999; Schwarz, 1999). It became all encompassing and was used to identify and suppress opposition:

The principles of Pancasila were generally humanitarian and egalitarian... but that did not stop their being employed to endorse coercion and hierarchy. The state has declared itself the protector of these values; therefore anyone who opposes the state is opposed to them too, and the ideas act as legitimisers of their own suppression. (Lev & McVey, 1996: 23).

Legislation of 1983 required that all political parties adopt Pancasila as their guiding and only ideological principle (*Azas Tunggal*), thereby de-legitimising parties with Islamic interests or class representations. In 1985 this legislation was extended to all mass social movements under the ORMAS legislation. Such acts served as one of a number of instrumentalities that utilised Pancasila to silence New Order opposition and had a significant impact on the growing NGO sector in Indonesia. Pancasila became a powerful force in constraining political debate in Indonesia (Berger, 1997).

- *The Beginning of the End for Suharto*

The 1980s had been difficult for Suharto economically. He was forced to concede power to his technocrats and establish a string of neo-liberal economic reforms. However, the improved economic conditions of the 1990s saw Suharto again marginalise the technocrats. In the ascendancy in terms of power, wealth and influence was Suharto's family and cronies. They took corruption, cronyism and nepotism to new heights, making a grab for any business deal or contract that they could and Indonesia's privatisation program offered them even more. As Adam Schwarz puts it:

In many cases, privatisation of state companies was little more than a transfer of assets to Indonesia's political elite. (Schwarz, 1999: 314).

Schwarz notes that the World Bank had ignored the obvious corruption in order that the economic reforms not be interrupted, believing that the price of corruption was not so high as the price of stalling economic liberalisation.

The liberal reforms of the 1980s had initially fuelled middle class hopes for ongoing liberalisation of political and economic life. However the 1990s witnessed an intensification of their dissatisfaction in the face of unrestrained corruption (Aspinall, Feith & van Klinken, 1999). What's more, the system of patronage and rent seeking came under pressure from increasingly non-compliant international capital controllers. Consequently, during the 1990s Suharto came to

rely more routinely upon manipulation and repression, including of many NGOs, to silence his opposition.

In 1994 Suharto shut down three publications – *Tempo*, *Editor*, and *Detik* – because of their criticism of his government. Critical journalists then formed an organisation named the *Alliance of Independent Journalists*, a vehicle with which it could voice criticism. Indeed, the growth of advocacy NGOs since the 1980s can, in part, be attributed to their usefulness as vehicles for activists in their opposition to Suharto's rule. They were supported by the middle classes that had lost faith in the promise of a more participatory and open political and economic future in Indonesia. Then in mid 1996 Suharto was behind the ousting of Megawati Sukarno-Putri (daughter of former President Sukarno) from the leadership of the PDI (Indonesian Democratic Party), leading to a series of uprisings and violent reprisals. Rioting also took place in May 1997 following Golkar's decisive victory in an election that's outcome a foregone conclusion.

Labour unions throughout the 1990s stepped up their campaigns not only for increased wages and better working conditions, but also for increased political participation and an end to corruption. Civil society actors such as non-government organisations, unions, activists, and dissident political parties began to work together in order to pursue their demands. They managed to align their objectives with the objectives of the elite and middle classes and hence the unification of different interests and demands was beginning to take place (Schwarz, 1999). Whether these alliances would have successfully ousted the Suharto government without the catalyst of the 1997/98 economic crisis, or

whether Suharto could have contained the growing discontent will not be known, for the economic crisis hit and with it Suharto's rule ended.

The Economic and Political Crisis of 1997-98

▪ ***The Economic Crisis***

This year [1998] Indonesia has been thrown into a very deep crisis. Having made truly extraordinary economic progress and become a model of developmental rectitude for the World Bank, it is now experiencing economic devastation. (MacIntyre, 1998b: 41).

In 1993 the World Bank put out a report entitled: *The East Asian Miracle: Economic Growth and Public Policy* (World Bank, 1993). The report praised eight economies of East Asia, Indonesia included, for their 'miraculous' rates of growth. Indonesia was a model pupil for the World Bank¹⁴. The Bank had been one of its most prominent sponsors since Suharto came to power. However in

14 Importantly too is the fact that the 'miracle' economies of East Asia not only built their success on political repression but also on rejecting some of the tenets of the Washington Consensus and pursuing their own economic interventionist strategies:

For much of the 1970s, 1980s and 1990s, growth rates across the [East and Southeast Asia] region approached double figures. However, here was an evident paradox: development success appeared to rest on conditions that contradicted several of the prescriptions at the heart of the Washington Consensus... This is not to say that they did not participate in the world market – they did and avidly so, but on their own terms which they manipulated in their favour. (Fine, Lapavistas, Pincus 2001: xi).

Indeed, it was not until the World Bank and IMF gained immense leverage by offering a 'rescue' package to economically stricken Indonesia after the 1997/98 economic crisis that it could compel the government there to undertake massive privatisation programs in order that it could pay its debts. Prior to this the Indonesian government has resisted such attempts.

1997 the bubble burst and Indonesia fell into an economic crisis that would affect it for years to come.

The crisis began in Thailand as currency speculators dumped the Baht. Indonesia, believing it was safe from the economic crisis of Thailand (having been reassured by the World Bank and a plethora of economic analysts) did little in the first instance to protect itself from the currency speculators. Thereafter observers are divided over what caused the Asian financial crisis, roughly divided into two camps: those that blame the neo-liberal international economic order and those that blame Asian state domestic policies, practices, and institutions (Lo D, 2000). However, some also argue that it is more likely that the crisis was caused by a combination of factors involving both the headlong charge to liberalise economic systems globally, and the inevitable instability of an economic and political system based on corruption and patronage. Olle Tornquist argues that:

The actions of the market and its supporters... proved politically disastrous, contributed to a socio-economic catastrophe, obstructed democratisation, and only accidentally helped oust Suharto. The economic crisis did not result from excessive state regulation (which had been there for decades) but from the combination of bad regulation and deregulation - Suharto's nepotistic monopolism and the IMF sponsored technocrats' neo-liberalism - and from (both parties) containment of popular influence as the basis of checks and balances. (Tornquist, 2000: 384).

Critics of the neo-liberal development agenda blame the crisis on the financial deregulation and liberalisation that occurred under the tutelage of the IMF and World Bank, particularly those that took place throughout the 1980's and '90s

(Bello, 1997). Andrew MacIntyre argues that this engagement with the global financial system was catalytic in bringing about the crisis:

Deep financial liberalisation was a precondition for this crisis. In the context of the highly liquid global financial markets of the 1990s, this permitted the massive inflow of mostly short-term foreign capital that fuelled the growth of foreign debt, and then created such havoc when it departed even faster than it came. (MacIntyre, 1998a: 362).

Indonesia witnessed enormous increase in foreign investment, but these funds were not direct investment and had no real production outcomes for Indonesia¹⁵. Domestic enterprises too borrowed vast sums overseas at lower interest rates and then held those funds as savings in order to profit from the interest rate gaps. After the crash Indonesia's private foreign debt skyrocketed to US \$55.5 billion, equal to 25% of gross domestic product (Bello, 1997: 17). In addition, weak export growth (export-oriented growth having been firmly promoted by the IMF and World Bank) and increasing imports saw Indonesia accumulate a large current account deficit. Once the 'market' began to lose confidence in the economy, foreign investors began to pull out of Indonesia and what followed was a stampede fuelled by the 'herd' mentality¹⁶. There began a rush to buy dollars,

15 This type of non-productive investment goes against the Bank's own objectives as found in Article 1 (iii) of its Articles of Agreement, that states: "To promote the long range balanced growth of international trade and maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby, assisting in raising productivity, the standard of living and conditions of labor in their territories". (Emphasis added). (Kapur, Lewis & Webb 1997).

16 This notwithstanding, large hedge funds made handsome profits on their speculative efforts in Southeast Asia. A report in Business Week in August 1997 reveals that the hedge funds had performed sluggishly in the first half of 1997. But then in July their profit rate almost doubled due to their speculative plays on the struggling Asian currencies. (Cited in Khor, 1999a).

pushing the exchange rate down and raising debt even further (MacIntyre, 1998a). Seventy five percent of the private debt burden was generated by just fifty families – such was the extent of elite control (International IDEA, 2000). The non-performing private loans became the debt burden of the Indonesian people, as creditors were re-paid with government loans.

Between July 1997 and December 1997 the rupiah fell by a further 55%. Firms and industries were bankrupted or closed down, domestic production ground to a snail's pace and inflation rose sharply. The unemployment rate between 1997 and 1998 rose by 350%. Nearly thirteen and a half million people lost their jobs by June 1998 (UNESCAPm 1999). Indonesia was also suffering from one of the worst droughts in 50 years, hence rice harvests fell dramatically. The crisis reversed the decline in absolute poverty that had been achieved in the previous decades (Manning, 1999)¹⁷.

In attempts to try and stop the currency devaluation, the Indonesian government used up large amounts of its foreign reserves, forcing it to turn to the keenly awaiting IMF for a record breaking 'rescue' package worth US \$43 billion dollars. The IMF was brutal in its handling of Indonesia. The budget tightening measures cut health and education spending, and food and fuel subsidies. The IMF ordered the closure of 16 private banks and the increase of interest rates –

¹⁷ It should be remembered that Chris Manning (and many others) point out numerous methodological problems in Indonesia's data collection on poverty ranging from a very low set poverty line, to corrupt statistics. For an examination of Indonesia's positive performance of development indicators compared with other Southeast Asian development nations. (See McGillivray & Morrissey 1999).

designed to lure investors back to Indonesia. However, its plan failed miserably (Stiglitz, 2002). In closing the banks the IMF ensured that those with savings in the remaining banks withdrew their money in droves, thereby deepening the crisis rather than relieving it (Bello, 2000b). The IMF was also criticised for insisting on budget cutbacks when the people were in desperate need and the Indonesian government had not been running a budget deficit¹⁸. The IMF was roundly criticised for prescribing the same old medicine to cure all crises, as Gerry Van Klinken writes:

IMF packages never vary. The world over, in exchange for help, they sternly demand government belts tightened and markets opened to foreigners. Yet success is by no means assured. About half the time, despite the added pain, they fail to lift the target economy out of its quagmire. (van-Klinken, 1998: 2).

Even the World Bank, long-standing proponent of the neo-liberal economic growth model, was quietly urging the IMF to change course in Asia. Jeffrey Sachs, Director of the Harvard Institute for International Development, warned of the “The Wrong Medicine for Asia” as early as November 1997 (Sachs, 1997).

The interests of capital controllers and those of Suharto and his elites could no longer both be served by the development agenda. Suharto set about protecting his children and cronies interests from the crisis and from the IMF reforms. This demonstrated to the much sought after foreign investors that Suharto was not

¹⁸ For a summary of the criticisms regarding IMF policies in addressing the Asian crisis see Third World Network paper entitled, ‘IMF policies in Asia come under fire’ (Khor, 1999b).

willing to address Indonesia's failing economy (Schwarz, 1999). In January 1998 Suharto put forward his budget which was not welcomed by the international investment community and hence the situation worsened. In response to the initial failure of its agenda, and to widespread criticism, the IMF began to compromise its demands on issues of basic necessities and hardened its position on issues of corruption. The IMF reached a new agreement with Suharto. But Suharto had grown comfortable with the blind eye that the World Bank had turned over the previous decades. The Bretton Woods Institutions had just a year earlier been praising Suharto and did not easily intimidate him. Although Suharto signed the new agreement it became clear that he would not implement it. Again the rupiah dropped. The IMF became determined to exert its might. The now famous photograph taken at the signing of the following agreement revealed the IMF's determination to demonstrate that it was in the driver's seat in Indonesia. Joseph Stiglitz describes the episode:

A picture can be worth a thousand words, and a single picture snapped in 1998, shown throughout the world, has engraved itself in the minds of millions, particularly those in the former colonies. The IMF's managing director, Michel Camdessus..., is standing with a stern face and crossed arms over the seated and humiliated president of Indonesia. The hapless president was being forced, in effect, to turn over economic sovereignty of his country to the IMF in return for the aid his country needed. In the end, ironically, much of the money went not to help Indonesia but to bail out the "colonial power's" private sector creditors. (Stiglitz, 2002: 40).

Such images helped to convince the international investor community that Suharto had to go. Andrew MacIntyre argues that the international investment sector was decisive in stalling economic recovery and bringing about the downfall of Suharto:

This was a textbook case of unconstrained power posing a potential threat to the business environment and property rights. With no institutional checks on his power and with no effective mechanism for replacing him as leader – short of political upheaval – the only option open to investors as the value of their assets continued to plummet was exit. As local and foreign investors pulled their capital out and the economy went into a tailspin, it was only a matter of time before the resulting economic dislocation and pain produced a political backlash strong enough to force Suharto's fall. With such a firmly entrenched authoritarian regime, this did not happen quickly and the process of economic haemorrhaging went on much longer than in Thailand. (MacIntyre, 1998a: 367).

MacIntyre goes on to explain that Suharto had, in the past, maintained a very favourable environment for foreign investors. However in this crisis he undermined the economic reform agenda, appearing to make few concessions to the investment community in favour of his family and cronies. This move away from placating the international community and protecting his own family led the investors to stay away from Indonesia. In this way, the crisis can be understood as having been maintained by Indonesia's strained engagement with global financial markets and Indonesia's unresponsive and corrupt political power structure.

Jeffrey Winters argues that it is the incongruity between the interests of capital and the needs of populations that grant capital controllers their political power, including the power to create and sustain crisis. Their power rests upon the relationships between populations' needs and demands and the mechanism for fulfilling them. Populations have come to require the stable production of essential goods and services for their daily living, and for this they rely upon capital investment. Notwithstanding this, the interests of capital investors are not dictated by the needs of populations, rather, investors interests are dictated by profit attainment and protecting their right to private property. The production of goods and services is one means (among many) to achieving that end. A government's own political survival depends (to greater and lesser extents) on its success in attracting capital investors who may, in turn, encourage the production of essential goods and services and supply opportunities to earn the income to pay for them. In terms of the state's role, Winters argues that:

...the only way to maintain or increase investment rates is to create a political and economic policy environment that investors find responsive. And it is precisely in designing and implementing policies that meet the population's investment and production needs *by first satisfying the core objectives of those controlling capital* that the structural dimensions of investors' political power finds its expression. (Winters own emphasis). (Winters, 1996: 3).

However, when the state has access to its own resources then capital controllers loose some of their leverage. In Indonesia at the time of the economic crisis, the solution to the human crisis rested with capital controllers. IMF remedies focussed on seducing capital investors back to Indonesia. Their objective was

profit – not attending to human crisis – hence the needs of capital investors were prioritised above all others. Winters’ analysis reveals the dimensions of power of capital investors that otherwise remain invisible. Eventually, and as Andrew MacIntyre argues, the perceived needs of the capital investors included the ousting of Suharto. The investment community did not need to take a hands on approach to the orchestration of the mass people’s movement because the economic conditions they created in turn created the right political conditions for a people’s movement to emerge.

The causes of the crisis aside, L.H.M. Ling argues that the West’s dominant liberal international order was made secure in Asia by the crisis. The crisis enabled a reassertion of the West’s masculine role in Asia and the feminising of Asia through disciplining and discrediting its attempt to assert itself in the global economy on its own terms. Ling’s feminist critique of the crisis grants a gender dimension to analysis:

Pushing “reform” after Asia’s financial crisis (1997-1998), the West’s liberal international order has effected a strategic triple move... this triple move rather reflects an openly-calculated coordination of institutional interests to sustain Western capitalist hegemony in the global economy. In this case, the liberal international order has sought to 1) *(re)feminise* Asia by discrediting the region’s claim to a muscular, alternative capitalism; 2) *(re)masculinise* the role of Western capital in the region by buying out Asian Capital at bankrupt prices; and, 3) *(re)hegemonise* relations in the region, both domestically and internationally, by mimicking Cold War power politics. (Ling, 2001: 1).

Ling's analysis is powerfully illustrated by the photo of Michel Camdessus standing over President Suharto taken at the signing of one of the agreement between the IMF and Indonesia.

▪ *The Political Crisis*

By the early months of 1998 unrest swelled. The undisputed social impacts of the crisis included widespread unemployment, skyrocketing poverty, sliding school attendance, food shortages, and more¹⁹. There was open fighting in shops for food, and the ethnic-Chinese community was targeted as scapegoats in widespread looting of their stores (Bourchier, 1999). Political opponents began to openly criticise Suharto for the economic crisis, and public debate about his future raged. Long-standing political activists from non-government organisations, unions, and student movements stepped up their activities and were joined by an increasing number of both the middle class and the urban poor populations. Such activity brought a swift response from the military. A number of activists 'disappeared' and others were arrested and tortured, indicating the fragility of the political status quo (Aspinall, Feith & van Klinken, 1999).

On March 1st 1998 the handpicked People's Consultative Assembly met and re-elected Suharto as President for another five year term – much to the disillusion of the thousands of protesters outside, the IMF, and the international investment

19 For information on the social impacts of the crisis see the following: International Labour Office 1998; UNESCAP (1999); Griffith-Jones, Cailloux, Pfaffenzeller 1998; Poppele, Sumarto & Pritchett 1999; Chomthongdi J 1998; Booth A (1998).

community. Habibie, one of Suharto's cronies, was made Vice-President. The elite began to distance themselves from Suharto, sensing his time had come.

In May the political demonstrators were growing increasingly restless and determined to bring the President down. Some of the protests turned to rioting and fighting broke out in local stores and supermarkets when Suharto ordered the removal of food and fuel subsidies in accordance with the IMF plan (Schwarz, 1999). Then, on May 12th, at Trisakti University, the military and police sprayed the protestors with tear gas and then opened fire on demonstrators, killing four students. The killings ignited the nation. From the 13th of May, students led mass demonstrations around the clock, finally taking over the grounds of parliament and galvanising widespread opposition to Suharto's rule. What unfolded over the next ten days was some of the worst violence Indonesia had seen in a generation. Over 1,000 people were killed, mainly as a consequence of being trapped in burning buildings. Tens of thousands of rioters controlled the streets. Gerry van Klinken describes the rioters and what he believes their motivations were:

The rioters are the urban poor who have no political representation in the New Order. They have almost no political leadership other than the sometimes agitational preaching in hundreds of small mosques. Yes, they are anti-Chinese. More generally they are alienated by the entire modern economy. They take it out on the inaccessible symbols of the new rich – banks, automatic teller machines, supermarkets, car showrooms, hotels, the cars of the Chinese. The retail revolution that is sweeping Indonesia has repeatedly angered those whose livelihoods remain dependent on more traditional markets. (van Klinken, 1998: 52).

The security forces appeared to take a low profile, although there is a great deal of evidence to suggest that the security forces played a significant role in directing and provoking the violence, particularly against the ethnic Chinese community (Aspinall, Feith & van Klinken 1999; Schwarz, 1999). Rioters (led by some in the military) targeted the ethnic Chinese in an orchestrated attack on their homes, families, and livelihoods. During those ten days in Indonesia Chinese women and children were raped and sometimes murdered on a massive scale by gangs roving the streets. The targeting of Chinese women in this manner reveals the manipulation of scapegoats in Indonesia at this time. The attacks were designed to humiliate and terrify the Chinese population, a scenario akin to war rape. In the aftermath of the riots and the political transformations, women's organisations have fought to have the mass rape of Chinese women brought to centre stage and dealt with by the national consciousness and the legal system (Anggraeni, 1999). However Lloyd and Smith (2001a) argue that such violent episodes are too often left to fester:

Certainly Indonesia needs to deal with the conjectural occurrences of the past, particularly of the New Order. Two glaring but by no means isolated examples are the May 1998 attacks against the ethnic Chinese and the massacres of the Indonesian Communist Party (PKI) and suspected associates in 1965-66... A dangerous legacy of such events is their tendency to live in the memory for years (and sometimes generations), and consolidate hatred and mutual distrust to be crystallised in the future. (Lloyd & Smith, 2001a: 314).

The importance of dealing with the past in order that a community or nation may move forward is also a theme of the relations between the World Bank and

NGOs. As will be seen, the past closeness of the World Bank to the Suharto regime, its funding of controversial programs, and its complicity in corruption, remain unanswered stains on its credibility in Indonesia. The Bank's lack of commitment to examine this history renders it unable to move forward in its relations with NGOs.

- ***Reform and the End of the New Order?***

On May 21st Suharto resigned and handed over his Presidency to his Vice-President, Habibie. Initially Habibie claimed to be a transitional President only (although he later entered the election campaign for President) and projected himself as a reform leader (Hill, 1998). He established a date for democratic elections for mid-1999, freed the media from laws that controlled it, removed laws preventing the establishment of new political parties, and freed some political prisoners.

Habibie had some support from those elites who wanted to, as far as possible, maintain the status quo in relations of power and the economy. He was also granted firm support from the World Bank and IMF, they resumed disbursements of the rescue package after having stopped them in light of Suharto's failure to comply. International donors began to pour money into aid programs for Indonesia. But the population saw Habibie as a Suharto crony and did not trust him and so student demonstrations continued. However the unity of the student movement was crumbling and their support from leading opposition figures

waned. Megawati Sukarno-Putri, Amien Rais, and Abdurrahman Wahid instead supported the electoral process (Schwarz, 1999).

Suharto was gone but his political cronies mostly stayed, and the military and bureaucratic hierarchy was relatively unchanged. However the climate was now altogether different and the environment for the press, political parties, opposition figures, human rights and advocacy groups, non-governmental organisations, was completely transformed. Michael Maher, Australian Broadcasting Corporation correspondent, describes the mood in Jakarta and recalls the sentiments of Gunawan Mohammad (the editor of TEMPO news magazine) in his book *Indonesia: An eyewitness account*:

Gunawan Mohammad stared out his window... as he reflected on the city he'd lived in most of his life: "Jakarta these days reminds me of the titles of the V.S. Naipaul book on India, *A Million Mutinies Now*. You can sense the transitional mood everywhere. Everything is going to change. Someway. Somehow." I could sense it too... Now people weren't afraid to speak their minds. The country's leader didn't have the powers of a king. Now parliamentary elections had been scheduled which promised to be the most open ever held. (Maher, 2000: 232).

On 7th June 1999 the Indonesian people voted in the most open elections that had been held for forty years. There were over forty parties registered. Not surprisingly the campaign was dogged by allegations of corruption, vote rigging, threats and undue influence. The PDI-P led by Megawati Sukarno Putri won more seats than any other party however the MPRs Presidential Poll saw Abdurrahman Wahid, leader of the PKB (National Awakening Party) and former

leader of the Nahdlatul Ulama (NU) Muslim organisation, win the Presidency. Megawati Sukarno Putri was made Vice-President.²⁰

The reform agenda and task of rebuilding a democratic Indonesia was enormous. Marcus Mietzner (2001), outlined six major areas of reform that the Wahid cabinet faced: reforming and designing the constitution and the political structure to serve a democratic state and not an authoritarian state; placating the regions and uniting the country through the issuance of greater regional autonomy; the containment of the Indonesian National Army to defence matters only; reform of the legal system and judiciary; development of the political party system; and economic recovery (Mietzner, 2001: 30). In addition, the media and student movements were calling for an end to KKN that now permeated every aspect of Indonesian life, and investigations into past corruption of the Suharto family. NGOs became particularly vocal in their condemnation of the World Bank and its past complicity in supporting a corrupt and illegitimate regime. On all of these reforms progress has been partial, slow, and incredibly compromised. Constitutional change is limited; decentralisation is plagued by confusion; the crisis in Aceh and West Papua has deepened; the Indonesian military (although weakened) maintains its role in politics; structural legal reform is failing; the political party system remains weak and fractured; and economic recovery alludes Indonesia (Mietzner, 2001).

²⁰ This was the situation as it stood at the time of my fieldwork research and interviews in Jakarta. Since then Wahid has been forced from office amidst allegations of corruption and lack of ability. Megawati, with the support of Amien Rais and a fractious coalition, became President on 23rd July 2001. This thesis does not attempt to analyse the situation during her Presidency, its timeframe is restricted to events and circumstances up to the time of my fieldwork interviews held between November 2000 and January 2001.

The tasks were made more difficult by a cabinet coalition that reflected the deals Wahid had made to secure the presidency rather than the reform agenda. In addition, resistance to anything but cosmetic changes to the corrupt system of power elites remained high. Indonesia entered the new millennium with many hopes for change and a vision of a just and democratic future, however the challenge was enormous. Lloyd and Smith explained at the time:

Those who believe Indonesia is experiencing an historical ‘enlightenment’ – involving a transition from a tyrannical and suffocating regime to a democratic government underpinned by political, economic and social rights and freedoms – are frustrated by the magnitude of the reform task at hand and the continuation in power of individuals and institutions beholden to and reliant upon New Order ideas, concepts and processes. (Lloyd & Smith, 2001a: 316).

The World Bank’s Place in the History of Indonesia

The World Bank had, right up to the economic crisis, heralded the success of Indonesia and what it dubbed the Asian economic miracle. Such was the climate of success prior to the crisis that Indonesia was made a model for developing countries and an argument in support of authoritarianism. As late as September of 1997, and then again in March 1998, the World Bank was congratulating Indonesia and its government for “*the government’s reform programme that had liberalised trade and finance and encouraged foreign investment and deregulation*” (cited in Hikam, 1998: 1). The timing of such statements only

deepened the embarrassment of the World Bank in its inability to predict the crisis. In its interim Country Assistance Strategy of 1999 the World Bank specifically states:

The speed, scale, and severity of Indonesia's economic crisis defied prediction. Indonesia's collapse flew in the face of decades of strong economic growth and poverty reduction gains which were real, and which were hailed as models of successful development. Yet, within the space of less than 12 months, it was all beginning to look like a mirage. Where did Indonesia go wrong?... Where we failed was in not pushing harder the message that sustainable development requires not only good economic policies, but good institutions as well. (World Bank, 1999b).

This statement signals the emergence of the post-Washington consensus at the World Bank in Indonesia: the reaffirmation of neo-liberal economic policies with the recognition of the importance of institutions for free markets.

World Bank involvement in Indonesia began well before its first loan to the newly established Suharto government. One of the World Bank's earliest loans (a US \$195 million reconstruction loan) was granted to the Netherlands in 1947 just 17 days after the Netherlands initiated a war against Indonesia in an attempt to reclaim its former colony even though Indonesia had already declared its independence:

The Dutch sent 145,000 troops ... and launched a total economic blockade of nationalist held areas, causing considerable hunger and health problems among Indonesia's then 70 million inhabitants. In the United Nations the World Bank was

condemned for providing the Dutch government with the resources it needed to continue its economic recovery while waging full scale war half-way around the world... The Bank's intransigence was a marked contrast and an ominous portent for the future. (Rich, 1994: 8).

After the Dutch withdrawal Indonesia's first President, Sukarno, became increasingly anti-West and opposed to the World Bank and IMF. Sukarno denounced the Bretton Woods Institutions as instruments of Western imperialism, reaching a particularly climactic point in 1965 when he quit Indonesian membership of the institutions (Kapur, Lewis & Webb, 1997: 467).

▪ ***Building Relationships: Suharto and the World Bank***

When Suharto took control of Indonesia's then disastrous economy he immediately drove the economy and political relations towards engagement with the West and with capital (MacIntyre, 1998b). Suharto's technocrats (economic advisors) were drawn from a group of Indonesian students who had studied economics at the University of California, Berkeley under a Ford Foundation scholarships program. These students learned Western economic ideas and policy frameworks and all became key ministers in Suharto's government for the next quarter century or more. Commonly referred to as the Berkeley Mafia, they became key players in leading the engagement with Western capital and the World Bank.

Western states and corporations saw in Indonesia not only an abundance of natural resources and cheap labour, but also saw the promise of a fiercely anti-communist bloc:

...in geostrategic and political-economic terms, Suharto's elimination of the PKI and his regime's anti-communist credentials were central to the circumstances under which the USA and its allies quickly embarked on a major effort to reincorporate Indonesia into the world economy. This included generous quantities of aid and a considerable amount of debt re-scheduling. (Berger, 1997: 342).

In 1966 the government rejoined the Bretton Woods Institutions, put in place a stabilisation program, and international donors formed the IGGI (Inter-Governmental Group for Indonesia) to support the entire process through donor monies (Kapur, Lewis & Webb, 1997; Dalrymple, 1998). Suharto and his technocrats moved rapidly to attract foreign investors, reschedule Indonesia's debt, and embrace liberal foreign policies (Vatikiotis & Schwarz, 1998). Journalist John Pilger, drawing on the work of Jeffrey Winters, notes that in November 1967 Time-Life Corporation sponsored a conference in Geneva that was attended by some of the largest corporations in the world, he writes:

...in the course of a week [the conference] designed the corporate takeover of Indonesia. It was attended by the most important businessmen in the world, the like of David Rockefeller, and all the giants of western capitalism were represented... Across the table were Suharto's men, whom Rockefeller called "Indonesia's top economic team". Several were economists trained at the University of California in Berkeley. All sang for their supper, offering the principal selling points of their country and their people: "Abundance of cheap labour... a treasure house of

resources... a captive market.”... The Indonesian economy was carved up, sector by sector, at the conference... A Foreign Investment Law, hurried on to statutes by Suharto, made this plunder tax-free for at least five years. Real and secret control of the Indonesian economy passed to the IMF and the World Bank through the Inter-Governmental Group on Indonesia (IGGI)... now the really big loans rolled in”. (Pilger, 2001: 4).

Jeffrey Winters in his book, *Power in Motion: Capital Mobility and the Indonesian state*, gives a detailed account of this meeting and its extraordinary nature in terms of a state’s direct appeals to capital controllers. Suharto understood that his power rested upon his ability to produce political stability and hence, arresting the economic decline and producing growth became vital:

The task, if General Suharto was to increase his chances of ruling Indonesia with a modicum of political stability, was to create a policy environment that would induce those who controlled the investment resources the country desperately needed to supply them without delay. The challenge was not only to ascertain which policies investors would find most favourable, but also to convince these resource controllers... that Indonesia could and would adopt and implement responsive policies. (Winters, 1996: 49).

One such important investor and gatekeeper to a wider investment community was the World Bank. After an IMF team visited Indonesia in July 1966, a World Bank team followed in August. This team organised \$300 million in imports in the transport, agricultural and industrial sectors (Winters, 1996). Robert McNamara, visited Indonesia in mid-June 1968, this visit was significant because:

It galvanised the president [McNamara] into making Indonesia, from the Bank's side, an instant special case. He and President Suharto admired each other, and the Bank president on the spot adopted unique modalities for a country program. On June 15 he told a press conference: "This is the first time that the World Bank has established this sort of a Resident Mission in a developing country... Your problem in Indonesia demands a unique solution and a greater concentration of effort than we have applied anywhere else in the world". (Kapur, Lewis & Webb, 1997: 469).

Henceforth a Resident Mission was established in Indonesia – a now favoured World Bank client. The Bank's technical staff in Indonesia and the technocrats worked closely to develop economic policies. Their close agreement on the economic doctrine saw Indonesia come to rely heavily on the free market, austere demand management, and the supply of rice to the urban poor in order to avoid uprisings (Kapur, Lewis & Webb, 1997). To secure the latter the price of rice was stabilised and US food aid supplied. The Brookings Institute argues that the Indonesian technocrats were keen to take the advice of the Bank, thus giving the Bank a great deal of policy influence in Indonesia. They state:

But all of this substantive togetherness did not render the Bank's policy advice redundant. On the contrary, the technocrats craved all they could get, as long as it was not broadcast. They wanted analytical help and close-in discussion. Procedurally, this was a classic case of intimate, ongoing, everlasting dialogue, with few if any spurs or prods in evidence. While they were engaged in daily policy discussions, the Bank and the Government of Indonesia acted like a couple of old cronies. (Kapur, Lewis & Webb, 1997: 470).

The Bank worked to draw the international donors and investors to Indonesia and paved the way for debt-relief with the Paris club in 1970. Oil was the biggest growth area for Indonesia during this time and multi-national oil companies (supported by their governments) were eager to stake a claim. Revenue from oil rose from less than 350 billion rupiah in 1973 to 800 billion rupiah in 1974, and then to 1,200 billion rupiah in 1975 (Wood, Glassburner & Nasution, 1994: 55). It was this bonanza that resourced the building of the Suharto regime. Suharto ensured that the technocrats were granted no control over the economic activities of the military and the expansion of the system of ‘rent-seeking’ and other forms of corruption.

- ***The Pertamina Scandal***

The oil boom financed the rise of power of the government’s military generals. Their use of oil revenues became one of the biggest economic scandals in the New Order history. Large earnings from the oil industry generated by Pertamina (the Government’s oil conglomerate) were withheld from the Government’s official budget to be used at the President’s and General Sutowo’s (in charge of Pertamina) discretion:

Suharto used the state oil company to gain access to discretionary resources that could be utilised to operate more effectively within Indonesia’s extensive and important power network of patron-client links. (Winters, 1996: 50).

Suharto was operating a two-track system of keeping the technocrats in charge of economic policy whilst promoting a patron-client system that maintained his power base (Winters, 1996). This led to strained relations between the World Bank and technocrats. Having borrowed for short-term loans, ignoring an IMF directive that required Ministry of Finance approval for loans, Pertamina wound up in huge debt after the first oil price shock sent interest rates sky-rocketing (Davies, 1975). The company was dismantled and new regulations brought in to tighten controls over revenues.

Resident staff in Indonesia and McNamara politely sidestepped the economic and political ramifications that the Pertamina affair gave rise to. Even when the situation reached crisis point in 1975 McNamara was silent in his meetings with Sutowo. In October of that year, after Suharto stepped in to control the fallout from the Pertamina scandal, McNamara congratulated President Suharto on his courageous and decisive efforts at taking charge of the situation, ignoring the fact that it was Suharto who had appointed and supported Sutowo. McNamara added that:

He would be expressing this confidence to the international financial and business community and was basing on it plans for a progressive increase in IBRD lending to Indonesia during the coming four fiscal years. (Kapur, Lewis & Webb, 1997: 492).

This illustration is indicative of the way the Bank dealt with pervasive corruption, military power, and human rights abuses, in its relationship with the Suharto

regime. Remarkable rates of economic growth, free market access, and an anti-communist Asia bloc, saw the Bank ignore corruption and political repression. It was this continuing pattern of tacit support for repression and abuse that, in the aftermath of the Suharto regime, caused the Bank its greatest credibility problem, particularly in the eyes of some NGOs.

- ***World Bank Complicity***

The Bank was, throughout the Suharto years, well aware of the high levels of corruption, the heavy handed use of the military to achieve political ‘stability’, human rights abuses throughout the archipelago, and the lack of real democracy and space for political opposition. Indeed, as early as 1972 the Bank’s resident Country Director raised the problem of corruption and the military in a cable sent to Washington (Kapur, Lewis & Webb, 1997: 490). Then in 1980 the Bank produced a 600-page report that was highly critical of the Indonesian bureaucracy and its high levels of corruption. The report was to be tabled at the IGGI but the immense controversy it created caused the Bank to undertake numerous rewrites to tone it down (Winters, 1996). The Bank was far more careful in its future reports, which made it hard to actually pinpoint the Bank’s role in Indonesia and to discern any critical observations it had of Indonesia. As Winters notes:

Indeed, it usually takes the skills of a Cold War Kremlinologist to divine the Bank’s criticisms of Indonesian policy in its annual report for Indonesia’s consortium of creditor countries. (Winters, 1996: 148).

The episode of the 1980 report demonstrates the Bank's willingness to fold to the demands of the Indonesian regime in order not to upset it. A quote from an interview that Winters had with a senior World Bank official in 1989 best describes the situation:

More so than in any other place, we play a policy making role in Indonesia. But the actual paper trail doesn't even come close to reflecting what we do here. Recently one of our own World Bank teams came through to assess the effectiveness of our operations. They were frustrated by how hard it was to piece together the story of our role here. Countless technical notes are produced by our staff members for the Indonesian government... the note that gets produced is never circulated, nor are copies of it kept in any central location... So much of what we do is on a personal level... One of our biggest problems over the years is to convince those back in Washington that normal operating procedures must be flexible enough to accommodate conditions such as those found in Indonesia... Our standard loan format, which clearly states the policy conditions for 1,2,3,4,5, and which is used in many parts of the world, is impossible here... We slowly and steadily push a set of policies, and in time they adopt them. (Winters, 1996: 148).

This standard operating mode in Indonesia may explain some of the deep suspicion with which NGOs in Indonesia approach their relations with the World Bank. Aside from the cosy relationship that the Bank had with the regime, there was also the surreptitious manner in which economic policy was influenced and determined, the gap between Bank rhetoric and practice and between Bank policy and procedure, fuelling NGO suspicions.

- *The Development Agenda*

Throughout the 1970s Indonesia pursued its development agenda under World Bank guidance. It moved to embrace export led economic growth in natural resource exploitation and raw commodities, pursuing an aggressive agricultural and rural development plan. It was also during the 1970s that the Bank subsidised the controversial *Transmigrasi* programs that saw millions of families transmigrated from the heavily populated islands of Java and Bali to less populated islands (discussed further in Chapter 6). But the Indonesian government's increasing financial independence due to the oil boom translated into less leverage for the World Bank than what they had in the earlier years of Suharto's rule. However, the oil price drop of 1982 saw the Bank once again gain leverage and the relationship between Bank and regime strengthened (Winters, 1996).

The Bank used its leverage to compel Indonesia to institute a series of economic liberalisation programs throughout the eighties (Berger, 1997). These reforms included: a series of financial sector deregulation; tax reform; a series of trade and investment deregulation; a series of financial, monetary, and banking reforms; trade, industry, and agricultural reforms; and capital market and financial reforms of 1988 that saw the private stock exchange established (Winters, 1996). Another series of deregulation were made effective from 1990-1996 and included currency and trade deregulation, privatisation of government owned businesses (often ending up in the hands of cronies and Suharto's family members), reduced public expenditure, and agricultural liberalisation.

The drive to liberalise the Indonesian economy on the grounds of sound neo-liberal economic management sits in stark contrast to the authoritarian political system. The state was a repressive vehicle that ensured the interests of capital were met that in turn served the interests of Suharto. Economic growth in Indonesia was founded upon an intimate relationship between state and market, reflected in the regime's various alliances with foreign investors and its cosy relationship with the World Bank (Basri, 2001; Fine, Lapavitsas & Pincus, 2000).

- ***Bank Lending to Indonesia***

The abnormally close relationship between the World Bank and the Indonesian government, and the Bank's faith in Indonesia, are best demonstrated by examining the Bank's lending to Indonesia. Appendix 9 of the Bank's World Development Report of 2000-2001 lays out the cumulative lending of the Bank by country to June 30th 2001. I replicate part of this table here.

Table 1 – Comparative of World Bank cumulative lending since its inception to 2001 by selected countries.

| Country | IBRD Loans | | IDA Credits | | Total | |
|-----------------|------------|----------|-------------|----------|--------|----------|
| | Number | Amount | Number | Amount | Number | Amount |
| Argentina | 110 | 18,212.4 | | | 110 | 18,212.4 |
| Brazil | 266 | 30,379.4 | | | 266 | 30,379.4 |
| Cambodia | | | 16 | 430.1 | 16 | 430.1 |
| China | 163 | 25,566.3 | 71 | 9,946.7 | 234 | 35,513.0 |
| Ethiopia | 12 | 108.6 | 67 | 3,569.5 | 79 | 3,678.1 |
| India | 183 | 28,797.4 | 241 | 27,548.1 | 424 | 56,345.5 |
| Indonesia | 245 | 27,340.1 | 49 | 1,397.6 | 294 | 28,737.7 |
| Korean Republic | 113 | 15,647.0 | 6 | 110.8 | 119 | 15,757.8 |
| Lebanon | 18 | 940.1 | | | 18 | 940.1 |
| Mexico | 178 | 33,161.0 | | | 178 | 33,161.0 |
| Nigeria | 84 | 6,248.2 | 19 | 1,157.2 | 103 | 7,405.4 |
| Pakistan | 84 | 6,614.2 | 110 | 5,842.4 | 194 | 12,456.7 |
| Vietnam | | | 31 | 3,269.4 | 31 | 3,269.4 |

(Amounts in Millions of US Dollars)

From: World Development Report 2000 – 2001, Appendix 9: IBRD (International Bank for Reconstruction and Development) and IDA (International Development Association) Cumulative Lending by Country, June 30, 2001.²¹

The World Bank, to the end of June 2001, had loaned Indonesia over US\$ 28,737 million. It has been the Bank's fifth largest borrower behind India, China, Mexico and Brazil. Argentina is the Bank's sixth largest borrower having borrowed just over US\$ 18,000 million. To its 157 borrower countries the World Bank has loaned a total of US\$ 487,017.4 million. Loans to Indonesia represent over 5.9% of the total (World Bank, 2000-2001).

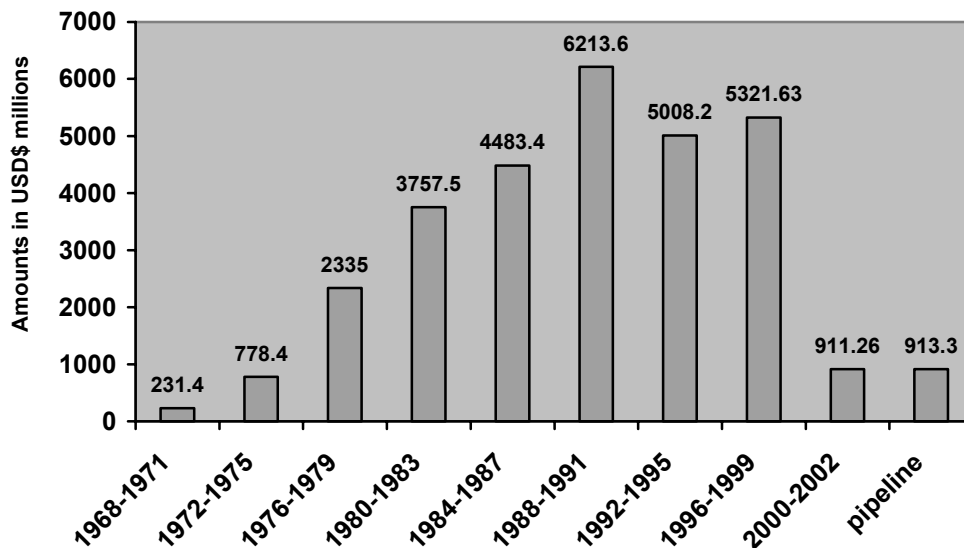
China has a population close to six times the size of Indonesia's yet Indonesia has received four-fifths the amount in loans that China has. India has nearly five times the population of Indonesia and has received only twice the amount in

²¹ The IBRD and the IDA are the two lending arms of the World Bank to developing countries.

loans. Given Mexico's population of 98 million people (more than twice as many as Indonesia) it has received a staggering total of just over US\$ 33,000 million in loans (World Bank, 2000-2001), perhaps reflecting US interests there. Of the 157 borrowing countries to June 2001, 97 were loaned less than US\$ 1,000 million, an additional 48 received less than US\$ 10,000 million. Only five countries received over US\$ 25,000 million in loans, including Indonesia (World Bank, 2000-2001).

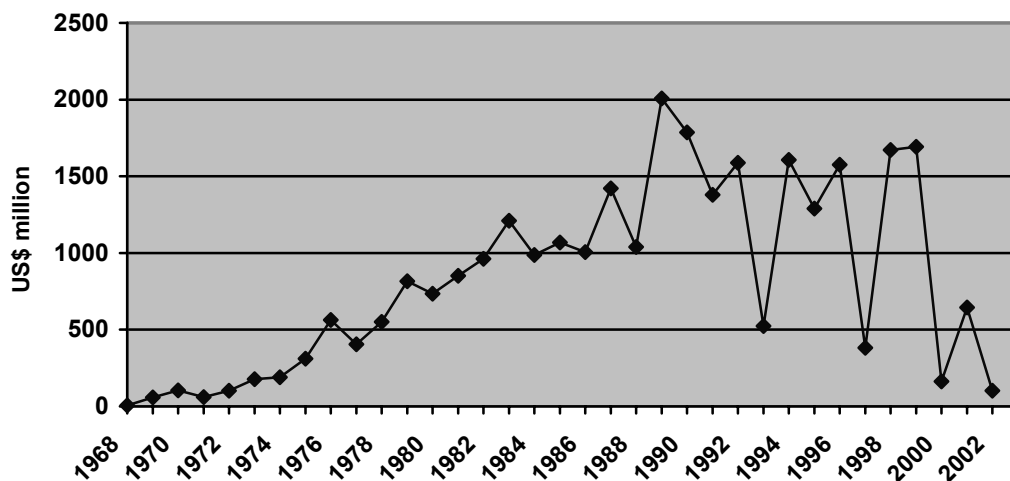
Another revealing way to analyse World Bank loans to Indonesia is through an examination of the Bank's lending to Indonesia since it began in 1968 to the present. The chart presented below presents the figures for World Bank project approvals, including both IDA loans (International Development Assistance) and IBRD loans (International Bank for Reconstruction and Development), by year.

Chart 1 – IBRD/IDA amounts approved at Board to Indonesia in USD\$ millions:



Figures to October 28, 2002, (World Bank, 2002e).

Chart 2 – IBRD/IDA amounts approved at Board to Indonesia in USD\$ millions:



Figures to October 28, 2002, (World Bank, 2002e).

(The figures given are actual approval dollar amounts and have not been adjusted).

These charts illustrate the relationship between the World Bank and Indonesia over the past 34 years in dollar terms. One notes the increasing amounts granted to Indonesia from the late seventies, with sharp rises continuing throughout the eighties (ie. throughout the period of the oil price slumps), and staying high throughout the nineties. The post crisis era however has witnessed dramatic decreases in loan approvals from the World Bank for Indonesia, even when taking into account projects that are in the pipeline for Board approval in 2002/2003. Interestingly, the Bank's lending approvals to Indonesia were at their peak during times of heightened repression on the part of the regime towards NGOs and other civil society groups (detailed more in the following chapter). As well, Bank lending approvals have dropped sharply since the onset of the reformasi era; a period of greater tolerance for dissent and greater political instability. This leaves one to question the Bank's commitment to relatively liberal political orders vis-à-vis authoritarian regimes.

In Summary

This chapter has contextualised Indonesia's contemporary political and economic landscape. It also locates the vital role of the World Bank in facilitating the engagement of the regime with international investors and the global economy, and the political relationship that was engendered in order to achieve this. I overviewed the regime's military authoritarianism, its methods and structures for repressive control of opposition, its extensive network of patronage and corruption, and the regime's construction and promotion of a unitary ideology. The Suharto regime's eagerness to engage global capital and Western power saw

it embraced by the World Bank and emerge as a model pupil of the economic growth development agenda for the World Bank. The Bank, in heralding the success of its Asian Miracle, understated and often ignored the weaknesses of the Indonesian system and failed to act upon human rights abuses and repression. In so doing, and in granting enormous loan funds, the Bank facilitated and protected the regime, only wavering as the economic crisis deepened.

This chapter makes evident the reasons why, in the contemporary and relatively liberated NGO environment of the post-Suharto era, many NGOs remain antagonist and suspicious of the government in Indonesia. Because of its support of the Suharto regime the World Bank too lacks credibility in the eyes of many in the NGO community. The following chapter continues to contextualise the issues by examining the NGO sector in Indonesia, including its history, forms, and character.

CHAPTER 4 - INDONESIA'S NGO SECTOR

Introduction

The types of NGOs to be found in Indonesia, and their relations with the World Bank, continue to reflect that sector's development and struggles under the Suharto regime. NGOs in the post-Suharto era grapple with their role and place in Indonesian society, and remain diversely positioned in their relations with the World Bank and the state.

This chapter explores the Indonesian NGO sector, explains its development, and elucidates some of its most striking characteristics. It does this by employing both historical analysis of NGOs and examples of NGO typologies. The historical analysis locates NGOs in relation to the state and in relation to their objectives throughout the course of the twentieth century. The chapter then categorises NGOs into broad intervention orientations, or fields. Whilst recognising the limitations - particularly in terms of homogenising NGOs - that categorisation brings, this method is productive for the purposes of my research and analysis. It enables me to examine systemic and structural issues that regulate and define NGO-World Bank relations and to draw broad conclusions. I then introduce those NGOs whose representatives I interviewed for this research, describing their work and positioning them in the discussed typologies. The final section of this chapter introduces some of the findings of my interviews with these NGOs and with World Bank staff to discuss particular characteristics of NGOs in Indonesia. These characteristics are, according to World Bank staff, responsible

for impeding the development of a good working relationship between the Bank and NGOs. The findings reveal the perceptions and assumptions that World Bank staff have formed regarding Indonesian NGOs. NGO perceptions of the World Bank are presented in the following chapters.

The Recent Historical Development of the NGO sector in Indonesia

▪ *Pre-Suharto Overview*

Modern NGOs emerged at the beginning of the 20th century in conjunction with the nationalist movement in Indonesia. By and large, middle class and educated nationalists in urban areas, seeking a vehicle to promote Indonesian independence, established them. One such organisation, the *Boedi Utomo* (Noble Endeavour) society founded on May 20 1908, was established to serve the cultural and educational needs of the indigenous civil servants. Its existence prompted the growth of NGOs that served education, health, and welfare needs whilst building a nationalist movement. Likewise, *Sarekat Dagang Islam* was established in 1909 initially as a trading in cooperative for Javanese merchants, then broadening its work to include educational and Islamic religious activities. Whilst the organisation took a non-political stance publicly, necessary for the Dutch administration's intolerance of organised political activity, it too enabled the organising of the nationalist movement. Hence *Boedi Utomo* and *Sarekat Islam* are now regarded as the genesis of Indonesia's nationalist movement (Riker, 1998; Vatikiotis & Schwartz, 1998).

Early NGOs relied upon larger, traditional socio-cultural organisations, in their embryonic form, often emerging as an arm of various religious organisations. Muhammad Hikam refers to these as *first generation NGOs* (Hikam, 1999b). NGOs early founding in political activism, as well as in welfare, continued to effect the development of the sector throughout the twentieth century:

Indonesia's voluntary sector has not only had a tradition of service to society through cultural, economic, and social welfare activities but moreover a commitment to a wider political role in society especially vis-à-vis the state. (Riker, 1998: 127).

NGOs earliest political project was in the pursuit of a nationalist movement.

Ironically, the Dutch administration's own policies encouraged and partially enabled such organisation. In the early twentieth century the Dutch colonial administration promoted ideas of modernisation and national awakening through its Ethical Policy of Enlightenment. This policy introduced early 'development' type programs such as health care, and agricultural and industrial development. The programs were stopped in the 1930s as a consequence of the Great Depression, but they introduced early ideas of welfare-promotion that were taken up by NGOs and nationalist leaders as they emerged (Cribb, 1999).

Beginning in the early part of the twentieth century was the recruitment of indigenous people into middle levels of Dutch colonial administration (thus prompting the establishment of educational organisations such as *Boedi Utomo*).

This opened opportunities for education and built the confidence of the indigenous educated classes in their ability to run the State themselves. What's more, the Dutch (like other colonial powers) became concerned with expressing a moral duty to those they ruled to impart Western ideas and technologies so that they might become more civilised, the 'white mans burden' (Cribb, 1999). This encouraged many middle class Indonesians to become involved in debates around how modernisation and independence might be achieved, ideas that became diffused amongst the wider Indonesian population. In these ways the Dutch's own policies inadvertently encouraged a nationalist movement to emerge, and for NGOs to develop into charitable welfare orientated institutions that also acted as vehicles for the nationalist movement. The different types of organisations that emerged across the archipelago reflected ideological (many were particularly influenced by Marxism), cultural and religious diversity (including great diversity amongst Muslims), but were mostly united by their nationalism. However, divisions amongst Marxists and some Muslims threatened to divide the movement (Cribb, 1999).

In the 1920s, in the face of the rising tide of nationalism and its potential for destabilising Dutch control, the Dutch administration dumped the Ethical Policy and replaced it with one of control (Lev & McVey, 1996). In the 1930s the suppression of political activity and the NGOs through which activists operated, and the onset of the Great Depression, led to the expansion of welfare oriented community development NGOs. Particularly popular were NGOs that focussed on small industry development such as handicrafts, trade and agricultural development through cooperatives, and legal aid programs (Riker, 1998). These

health and welfare institutions assisted the poor in the face of the failure of the colonial state to provide appropriate services. Some NGOs retained forms of political activity during this period, working to build the nationalist movement and further its goals, using their service delivery function to conceal their political work from the Dutch. However, throughout the 1930s the Dutch proved too powerful, using their military to suppress resistance and attempting to coopt more moderate nationalists into the colonial structure.

Then in 1942, with the World at War and Germany in the Netherlands, the Japanese easily took control of the Indies (Cribb, 1999). In contrast to the Dutch, the Japanese encouraged the population into mass organisations and encouraged their political activism, but the populations' political energy was directed towards building the greater Asian Empire. There was no room for independent organisations. In spite of this, many NGOs remained and continued with their work, being careful not to draw attention to themselves, particularly where their welfare agenda disguised other more political agendas. After the Japanese surrender in 1945 and the proclamation of Indonesia's independence, the four-year war with the Dutch followed. Diverse religious organisations and NGOs unified once again for the defence of Indonesia's independence, acting in various capacities to support the armed guerilla campaign, and the work of the Republic.

The 1950s proved politically turbulent for Indonesia, as the ideological, cultural and religious fractures within the nationalist movement emerged to contest power in the newly independent State. Mass organisations (known as *Organisasi Massa* or ORMAS) emerged to articulate the political, economic and religious interests

of their members and to mobilise them (Riker, 1998). But the economy and infrastructures had suffered as a consequence of the long war, and political instability across the country disrupted economic recovery. Their communist or Islamic ideas and power bases increasingly divided NGOs, including mass organisations and smaller politicised groups, previously united by the nationalist project. Non-politicised NGO groups (community development NGOs), were more concerned with the development (or modernisation) of Indonesia and with offering services to the poor. However, all of these NGOs performed a variety of roles at the grassroots and at national levels in politics, education, welfare provision, and community organisation.

Whilst often competitive, Bunnell argues that all of these voices found space in the political climate of the 1950s:

From the revolution through the parliamentary period of the 1950s, social organisations flourished but tended towards the political ideological *aliran* (currents) of the major political parties, until the bloody upheaval following the abortive coup of October 1965 launched the New Order. (Bunnell, 1996: 181).

King too argues that the parliamentary period from 1950-1958, encouraged the formation of organisations, their use as political vehicles and hence their politicisation (King, 1982). However their political space became more controlled during the period of Guided Democracy from 1958-1965:

The Sukarno government exerted increasing control over such organisations and sought to coopt them under the rubric of incorporating them into a broad coalition of forces participating in the political process. (Riker, 1998: 132).

This encouraged the development of a more distinct divide between non-political NGOs that focussed on communities and providing for their health, welfare, educational needs, and NGOs that had political objectives and that were involved in the political process. Large humanitarian organisations formed, increasingly out of the charitable concerns of churches, which had no overt political agenda. For example, the Indonesian Family Planning Association established themselves during this period, and even began to work cooperatively with the Department of Health (Riker, 1998). It was these non-political development organisations that were granted limited and conditional support by the New Order government when it came to power.

- *The New Order Progresses*

After Suharto's rise to power Indonesia witnessed a massive political restructuring and program of social engineering. Accelerated economic growth and new ideas on development emerged. As a consequence NGOs too changed. Compared to the pre-Suharto years there were radically less independent NGOs and very few willing to be overtly political. However the community development orientated NGOs survived and increased in number, specialising in 'development' areas such as health, education, and family welfare. Muhammad Hikam (1999b), refers to these as *second generation NGOs*. Whilst NGOs that

focussed on implementing direct services were predominant at this time, there were also many NGOs concerned with the redistribution of wealth and with transforming the top-down nature of development in Indonesia (Hikam, 1999b). Although the work of this later group of NGOs constitutes political activity, it did not amount to an outright rejection of the Suharto regime (Hikam, 1999b). These newly emerging NGOs can be seen in two broad categories; the former have come to be known as ‘community development’ NGOs and the later as ‘advocacy’ NGOs (Cleary, 1997).

The climate that NGOs found themselves in under Suharto’s rule enables an understanding of the contemporary character and positioning of NGOs. The two distinct types of NGOs, although having their genesis in the era of Guided Democracy, were shaped by Suharto’s repressive rule and in response to the demands of (predominantly) Western donors. During the late 1960s and the 1970s the Suharto regime implemented what Andrew MacIntyre describes as a corporatist network:

The effect of the New Order’s massive political engineering program was to eliminate, or enfeeble, less controllable (and thus possibly threatening) channels of interest articulation from the political landscape, and to replace them with a vast and authoritarian corporatist network... this corporatist strategy was a great success. Its whole aim was not to promote or somehow enliven the capacity of societal groups to influence politics, but rather the very reverse: it aimed to reduce drastically the opportunity for demands to be made upon the state by such groups. (MacIntyre, 1991: 26 & 27).

The space for independent NGOs was reduced. They were tolerated only in so far as they promoted charitable causes or furthered the State's own development agenda. The regime's control of political parties, the military and the bureaucracy, and its establishment of 'civil society' groups, were all part of Suharto's attempt to depoliticise the population on mass, and draw it into the regime's network. Its readiness to employ repression continued to be demonstrated throughout the regime's rule.

The mid-1970s witnessed a heightened period of political repression in Indonesia (Vatikiotis & Schwarz, 1998), and greater penetration of the regime throughout all levels of society as the New Order project progressed:

The post-1974 New Order government was more ruthlessly repressive than the colonial state. The power of coercion was greater and the scope for evasion less...
The New Order's stability and national development were imposed by force and legitimised as good government. (Dick, 2001: 212-213).

In spite of the repressive climate the 1970s saw growth in the number of NGOs. As well, in the comprehensive repression of the late 1960s and 1970s some NGOs become sanctuaries and vehicles for political activists (Riker, 1998). For example, in 1974 Suharto had arrested those students involved in organising campaigns against the corrupt business interests of Suharto's wife (Dick, 2001). Then in 1975 student protests in Jakarta - predominantly focused on corruption and criticism of Suharto's leadership - led to arrests, recriminations and a clamp down on universities and the press (Editor, 1978). After this, and further

repression of student activities in 1978 (Nordholt, 1999). Many of the student activists moved into the NGO sector and began using the organisations for political advocacy work. Frederick Bunnell describes these organisations:

Most conspicuous in their credo were social democratic values centered on redistributing power from the state to civil society and from the rich to the poor.
(Bunnell, 1996: 181).

Hence, from the early years of the New Order and throughout the 1970s and 1980s there remained in the NGO sector in Indonesia a strong political advocacy element. It was also during this time that many NGO leaders, using their middle-class connections, established links with the power elite and so developed some personal relationships with particular political figures such as Emil Salim, Minister of Population and Environment (Riker, 1998).

The tighter economic conditions caused by the decreasing world oil prices from 1985 further reduced the space for political expression in Indonesia, yet made community development NGOs more important to the Suharto regime. However the economic downturn also saw Suharto more readily rely on force to assert his political will (Vatikiotis & Schwarz, 1998). During this period of political clampdown student activists again formed or joined Indonesia's NGO sector in order to pursue political objectives and to promote grassroots development, organisation, and education (Lev & McVey, 1996). NGOs emerged that were more vocal, more critical, and more challenging of the development paradigm adopted by the state. As well, the increasingly organised international NGO

campaigns and networks began to influence Indonesian NGOs and so NGOs involved themselves more often in contested political issues such as decentralisation, economics, human rights, industrial relations, environmental and gender issues (Hikam, 1999b).

In conjunction with a rise in the number and activities of advocacy NGOs, Indonesia also witnessed a rise in community development NGOs that were encouraged by the international development climate. From the mid-1970s international donors and multi-lateral institutions began to focus (at least in rhetoric) on alleviating poverty and increasingly contracted NGOs to do development work. The shift to relying upon NGOs to achieve development success was established on the international stage (Nelson, 1995; Hulme & Edwards, 1997), and like many other Third World countries Indonesia became its testing ground. The contracting of NGOs was very much in keeping with the promotion of a liberalist political ideology and the marketisation of 'development'. Liberal ideals notwithstanding, large-scale development programs such as infrastructure development and structural adjustment, remained in the hands of the multi-lateral financial institutions that were yet to be convinced of the virtues of the non-government sector. The donor organisations willingness to fund NGOs witnessed the expansion of mainly community development NGOs in Indonesia that were funded to deliver various health, education and small-scale economic development programs to communities. Whilst careful not to undermine the efforts of the political advocacy NGOs, these community development NGOs were often keen to be seen as apolitical and avoid direct political criticism of the Suharto regime. The Suharto regime too

came to rely more heavily on apolitical community development NGOs for the attainment of its development goals in the unfavourable and restricted economic climate of the mid-eighties. The rise in NGO numbers continued as many donors became further convinced of their importance to a 'civil society' in the immediate post Cold War period.

After the end of the Cold War in 1989 the number of civil society organisations and NGOs escalated world wide – including in Indonesia. Civil society discourse rose to international prominence, in large part because of its role in bringing down authoritarian regimes and cold war foes in Eastern Europe. Funding bodies hoped that NGOs were the vehicles for their pursuit of pluralist liberal democratic transitions and so they more deliberately set about attempting to raise the number and profile of NGOs in Indonesia:

During the eighties the capitalistic-democratic North 'discovered' the NGOs as a potential instrument in their striving for a global democratisation process (especially after the fall of the Berlin wall in 1989). At the same time the NGO movement, especially in the 'South', was also seen as an efficient instrument for development where the 'State' failed to function accordingly. (Nordholt, 1999: 2).

However, I do not wish to over-state the liberal democratising objective of donors. Development funds continued to be central to the neo-liberal economic agenda and they were often granted for the purpose of opening up markets for international trade in targeted areas. The economic objectives were often paramount with democratisation and development a means to achieving economic ends. The mixed agendas of Northern donors notwithstanding,

activists and welfare orientated people and groups in Indonesia often used those funds to further their own agenda for community development and/or political advocacy work. Development funds were manipulated to meet the numerous objectives of the various players in the 'development' arena.

Influenced by Western liberal ideology the 1980s saw some in Indonesia's national government welcome an independent NGO sector, seeing them as useful to the development effort. The Population and Environment Minister, Emil Salim, was perhaps the most progressive of Suharto's ministers. Under his portfolio NGOs concerned with environmental issues found at least some political space, (Bunnell, 1996). However most members of the government, from local elites who viewed NGOs as a threat to their local systems of patronage and control, to heads of departments and military generals, remained deeply suspicious of NGOs, as was Suharto himself.

In 1985 Suharto and some military and power elites expressed grave concern for the influence of some of Indonesia's mass social organisations, and to a lesser extent, the influence of some NGOs. This fear underpinned the 1985 Law on Social Organisation (ORMAS). The ORMAS law attempted to curb the actions of NGOs by requiring that such organisations be approved by the government before receiving foreign aid and granting the government the right to disband social organisations. This law required that social organisations integrate Pancasila into their objectives and employ it as their sole ideological foundation (MacIntyre, 1991), and granted the state the right to intervene into the institutional and financial affairs of such organisations (Riker, 1998). It saw the

regime seek to extend its authoritarian dominance of political and social life in Indonesia, incorporating all such activity into the state's spheres of control and surveillance. However, it was unclear whether NGOs were included in the definition as it was targeted to 'mass social organisation' (in particular the large Muslim organisations). Hence NGOs managed to work around the legislation, registered as foundations rather than social organisations and for sometime successfully undermining the government's legislative strategy. Nonetheless, the law caused much debate and concern within the NGO sector.

The introduction of legislation to control the activities and objectives of NGOs, whilst repressive, also recognised the importance of the NGO sector to the agenda of Suharto's regime. The government found that its development plans and commitments now relied upon the efforts of NGOs. In a budgetary climate of decreased oil revenues the government was less willing to commit funds to development programs. Allowing internationally funded NGOs to achieve its development objectives helped Suharto to maintain political stability and a positive international standing within the investment and donor community. Moreover, the existence of NGOs enabled the Suharto government to maintain the illusion – however thinly veiled – of an open and at least partially democratic government. To this end the government, in the second half of the eighties, introduced *keterbukaan*, a policy of increased openness, including towards NGOs. It was widely welcomed by the international development community. By the end of the eighties the government was proclaiming its readiness to be more inclusive of NGOs in 'partnerships' for development objectives. Suharto's government was no doubt influenced by the renewed multi-lateral and donor

community expectation for liberal democracy and global capitalism generated by the 'fall of the wall' (Bunnell, 1996). However this position was not to last long and only temporarily masked the government's continuing suspicion of NGOs (Schwarz, 1999).

As a consequence of the politics and the increasing resource base of NGOs since the mid-1970s, NGOs emerged from the 1980s and into the 1990s in greater numbers and with voice, space, and power, vis-à-vis the state and the World Bank. There is little information regarding exact numbers of NGOs and government statistics and numbers collected are questionable, however by mid-1990 over 7000 NGOs had registered with the government. In 1994 the Director of Indonesia's Legal Aid Institute estimated that over 1,000 NGOs were actively involved in development, environmental protection and human rights activities at all levels in Indonesian society (Riker, 1998).

By the 1990 advocacy NGOs had secured their role as a vehicle for political activists at a time when political parties were severely hampered. NGOs could hide political activity in the rhetoric and work of 'development'. As well, the community development efforts of some NGOs often obscured a more profound objective to empower the masses through development without giving the appearance of confrontation with the state (Lev & McVey, 1996). In this way the distinction between advocacy and community development NGOs was again blurred, a characteristic that remains today. Indeed, many NGOs that are recognised for their advocacy work such as LP3ES and LBH (the Legal Aid Institute) do a great deal of grassroots development work. In addition, the 1980s

was a period of increasing environmental awareness and activism. The growth of NGOs that addressed environmental concerns under the banner of ‘sustainable development’ was encouraged by the greater political space they were granted by the Minister for Environment, Emil Salim, who was more tolerant of NGOs than were his colleagues. As a consequence many broader political and development issues have been taken up by environmental NGOs such as WALHI who enjoyed a degree of protection from repression. There were also those advocacy NGOs that had a more explicit political agenda and indeed saw NGOs as viable alternatives to political parties in a climate where independent political parties had no space.

Throughout the 1990s some advocacy NGOs became involved in the pro-democracy movement, the environmental movement and as human rights watchdogs. Other civil society groups also became more active including student movements, workers movements, social organisations, and independent intellectuals²². After decades of economic growth critics of the government grew in number and conviction. Groups more often publicly demonstrated their concern for greater economic and social justice, believing that Indonesia’s poor and marginalised deserved more and that the time was ripe for democracy (Wie, 2001). In response (and as has been discussed in the previous chapter) the government attempted repressive silencing of dissident voices and power became more concentrated within his family (Schwarz, 1999).

22 These various groups eventually became the main players in the student led campaign that ousted Suharto in 1998.

Throughout the 1990s Suharto embarked upon a renewed effort to control civil society. In 1990, shortly after INFID (a network of Indonesian NGOs) sent a strongly worded letter to the World Bank critical of its handling of the Kedung Ombo dam project, the Minister of Home Affairs issued a directive designed to exert greater control over NGOs. Provincial, district, and municipal governments were directed to conduct an inventory of all NGOs operating within their area, and monitor and guide them (Riker, 1998) to ensure that they operated within the government's development agenda. Then, in the wake of the collapse of the Intergovernmental Group on Indonesia (IGGI),²³ a situation the regime partially blames on the advocacy NGOs and their success in drawing international attention to the human rights abuses in East Timor (Riker, 1998)²⁴, the regime again cracked down. In 1992 the government announced its intention to subject all NGOs to the conditions of the 1985 ORMAS law. And then in 1994 the government announced that it was in the process of designing a Presidential Decree that would regulate the formation, funding, operations and dissolution of NGOs (Schwarz, 1999). The decree would allow the government to ban any NGO that it found to be:

23 The IGGI was jointly chaired by the government of the Netherlands and the Indonesian government and coordinated foreign donor monies and efforts in Indonesia. After the Dili massacre of November 1991, the Netherlands government threatened to suspend foreign aid until an independent investigation into the massacre was completed. The Indonesian government accused the Netherlands of interfering with its sovereignty. Suharto refused to accept further assistance from the Netherlands government and banned NGOs from receiving their funds. This suspension deeply affected one of Indonesia's most important human rights advocacy groups, Lembaga Bantuan Hukum (LBH – Legal Aid Institute) which relied upon the Dutch for 80% of its funds. Suharto used the Dutch to demonstrate to the wider international audience his displeasure with donors and governments that assisted NGOs in political advocacy work and challenged his power base, (Bunnell F 1996). Suharto then asked the World Bank to establish and chair a new forum of international donors now called the Consultative Group on Indonesia (CGI), (Cleary S 1997).

24 Following the Dili massacre of that year General Try Sutrisno testified before the parliament that NGOs were serving the political interests of foreign agents and ruining the government's name internationally. Hence he argued that they be closed down and tried for subversion, (Riker J 1998).

undermining the authority [of the state] and/or discrediting the government...
hindering the implementation of national development [or engaged in] other
activity that upsets political stability and security. (Cited in Riker, 1998).

The proposal led to outrage from domestic NGOs as expressed by the head of
Indonesia's legal aid institute:

The current situation is grim, and it is getting worse. Systematic state harassment
and persecution of community activists and the country's more than one thousand
voluntary non-governmental organisations (NGOs) shows no signs of abating. Any
meeting that may be construed as political must have a permit, and even then there
is no guarantee against arbitrary arrests and beatings if the authorities turn out to be
dis-pleased with the character of the gathering. (Cited in Riker, 1998).

NGOs, bi-lateral donors and even some in government, became involved in
lobbying Suharto and his officials to drop the idea, eventually succeeding the
following year.

As well, throughout the 1990s the government at various levels warned and
harassed NGOs in its attempts to prevent them from moving outside of a strictly
service delivery role. By way of example, the meeting of the Non-Aligned
Movement was held in Bogor (just outside Jakarta) in September 1992. The
government issued warnings to NGOs that protests would not be tolerated. It also
surrounded and cordoned off the offices of advocacy NGOs, cutting off their fax
and telephone lines (Riker, 1983). The government also limited the ability of

NGOs to meet by withholding permission for them to do so and threatening activists with the possibility that they may not be permitted to re-enter the country should they leave (often for international conferences). Officials began to more regularly summon NGOs for questioning about their activities and networks, interrogations sometimes went on for days (Riker, 1998).

The Suharto regime used these measures in an attempt to direct the course of NGOs in Indonesia, to steer them into an uncritical acceptance of the government's development agenda. However it must be noted that whilst Indonesian NGOs became an increasingly potent vehicle for political change Suharto demonstrated greater tolerance toward them than to other forms of political resistance and voice such as the media and political parties. The answer may be that Indonesian NGOs were not perceived as a threat to the state, particularly in terms of their institutional capacity and lack of a membership base, (it was mass member organisations that Suharto was most concerned to disappear). Indeed some in the NGO sector recognised that their institutional limitations prevented the sector from making an assault on the New Order, as Mahasin argues:

The strategy is not to organise people to wage a frontal attack on the state, for capturing the state per se does not mean establishing an alternative hegemony in a Gramscian sense. Frontal assault on the state is not only suicidal given the present situation, but also incorrect from the standpoint of strategy, for it will leave a void in society once the state is taken over. Thus, the proper role of NGDS (non-governmental development organisations) is to build a counter-hegemony through education and conscientisation of the people, to create an alternative hegemony that

after a certain period might lead to social change. This may in the end open up the way to a new society. (Cited in Riker, 1998: 168-69).

In order to silence and de-politicise NGOs Suharto employed methods of control, cooption and marginalisation. This pattern of repression and control had been at work on Indonesian NGOs for over 30 years and left its mark on the sector.

▪ ***Control, Co-option and Marginalisation***

The Suharto regime stepped up measures from the early 1970s and then again in the 1980s when there was an increased emphasis on state security and the progression of the 'corporatist network' (MacIntyre, 1991). I detail the measures to repress, control and/or co-opt NGOs in Indonesia below.

GONGOS

The regime established a number of large national NGOs commonly referred to as GONGOS (Government Organised NGOs), who they would fund to promote the regime's ideology and development agenda and to give the appearance of unity and popular participation. The corruption, cronyism, and nepotism of the government became embedded within these organisations. They were thus a part of the system of power franchising as described by Laksamana Sukardi (Sukardi, 1999), whereby those who are granted position and power by Suharto or one of his cronies is then beholden to him/her and must pay patronage. GONGOs were thus entrenched within the regime's system and became nothing more than an instrument of Suharto's power. However GONGOS did not achieve widespread

popular support because they were perceived as instruments of the regime. They were, however, instrumental in executing development programs and designing public policy. Hence they had a social control function.

Incorporation and Co-option

The Suharto government's second major strategy in neutralising the influence of independent NGOs was attempts to incorporate them within state structures or to co-opt them. During the seventies Suharto sought to incorporate all NGOs into the state's apparatus by establishing umbrella organisations (or coordinating bodies), and required that all membership organisations (including trade unions, farming cooperatives, women's organisations, etc), operate under them (Liddle, 1999; Riker, 1998). For example, the government established various *Wardah Tunggal* (a single umbrella organisation) for interest groups including the KADIN for industrialist groups, the KNPI for youth organisations, the FSPSI for worker unions, and the HKTI for peasant groups (Hikam, 1998). As well, the government attempted to win the patronage of NGOs by, for example, offering conditionally based grants that ensured an NGO became increasingly financially dependent on the government funds.

In addition to such incorporation strategies, the Suharto regime would also co-opt organisations and their leaders. As an example, the Suharto regime successfully managed to deflect criticism of its policies from Islamic groups following its cooptation of the Association of Indonesian Muslim Intellectuals (ICMI). The ICMI was formed in 1991 by a group of influential Muslim leaders who were to lead a critique of the New Order government. Suharto effectively coopted the

group into his state apparatus and they became supporters of the New Order's Islamic policy, marginalising those Islamic groups that were critical of it (Hikam, 1998).

Marginalisation

As has been demonstrated, Suharto pursued a policy of de-politicising the population and gaining consensus through the promotion of a single state ideology. Bouchier describes how Suharto used the ideology of 'development' and Pancasila to justify his repression of opposition, the centralisation of power in his hands, the increasing power of the military, and the integration of Indonesia's economy into the global economy (Bouchier, 2001). Authoritarianism and repression were manipulated to appear as acts of protection from a common enemy, protecting Indonesian culture and identity. Suharto appropriated Pancasila and used it for this purpose:

Individual sila or the Pancasila were infused with new meanings: 'moetheism' became overtly prescriptive, 'internationalism' was rejected as communist, 'humanitarianism' took on overtones of charity, and 'national unity' was given the asses connotation of unity between citizens and the state... Linking Pancasila to this static, organicist image of tradition paved the way for the repudiation by the government of all political ideologies and practices with which it was declared inconsistent. The government's initial targets were all forms of Leftism as well as political Islam, but also many democratic principles and practices such as popular sovereignty, voting and the separation of powers. By the 1980s human rights had become another favourite target, as well as what the regime called 'dichotomous thinking' – namely the tendency of critics to highlight differences between rich and

poor, civilian and military, workers and bosses. Opposition itself was deemed contrary to Indonesian culture. (Bourchier, 2001: 117-18).

Bourchier goes on to argue that Suharto, supported by his think tanks (for example the Centre for Strategic and International Studies), employed the discourses of development and Asian values to promote the idea that Indonesia required a paternalistic and authoritarian style government. Suharto argued that the New Order was true to Indonesia's shared values and aspirations and therefore any opposition was anti-Indonesian. It was commonplace for Suharto to describe any potential threats to his power base as anti-communist and anti-nationalist and to employ the rhetoric of Pancasila to encourage popular support for his repressive measures towards such groups (van Langenberg, 1990). Even more moderate Ministers like Emil Salim used such frameworks in establishing boundaries for NGO activity. In an interview in 1983 he stated in a popular journal published by an NGO, LP3ES:

It is inappropriate to suggest that government and NGOs (LSMs) are confronting each other. As long as the differences concern problems of implementation, then the NGOs' (LSMs) rights to exist is guaranteed. But if the differences concern more 'philosophical' differences in ideology or differences in national aims, then clearly any NGO (LSM) with those sorts of differences with the government will not have the right to exist. (Cited in Riker, 1998: 254).

NGO activities that threatened Suharto's power and/or ideology were publicly defined as against Indonesia and its people (Liddle, 1999). The discourses that were already in place were used to support this definition and marginalise NGOs.

Environmental advocacy groups that stepped out of line were defined as anti-development and hence against poor people, and human rights advocacy NGOs were charged with being anti-nationalist because they received foreign funding and therefore, the regime argued, they pursued the agenda of a foreign country (Hikam, 1998).

The NGO struggle over the Kedung Ombo dam throughout the eighties provides a useful example of marginalisation at work. The campaign over Kedung Ombo began in the mid-eighties when local villagers attempted to gain fair compensation for the land that was being appropriated for the construction of a dam. NGOs successfully drew international attention to the specific issues of Kedung Ombo dam and to broader development and rights issues in Indonesia. George Aditjondro argues that the Suharto regime attempted to marginalise the victims and their supporters by: blaming the victims for of Kedung Ombo for slowing the pace of development for all Indonesians; representing the victims and NGO supporters as low in intellectual capacity and political awareness; and by labelling supporting groups and NGOs as outside provokers that were only interested in self-aggrandisement at the expense of the people of Kedung Ombo (Aditjondro, 1993).

A great deal of the Suharto regime's repression was justified on the grounds of development, making the (economic growth) objectives of development paramount, over-riding environmental and human rights considerations. This continued right up until his fall from power. During the student uprisings that led to Suharto's downfall in 1998, the MPR passed the decree No. V/1998 which

granted Suharto emergency powers to end the unrest “*to defend the outcomes of development*” (Hikam, 1998).

The Suharto government’s extensive measures to discipline, regulate, coopt or constrain NGOs embedded fear and caution within the NGO sector that led to a climate of suspicion and disunity. Under the gaze of Suharto’s regime NGOs in Indonesia had been debating their political role in Indonesian society and politics. Throughout the nineties in particular, the NGO sector has been engaged in a struggle to identify its development orientation, ideological purpose, and political strategy (Bunnell, 1996; Ibrahim, 1996). This struggle was made evident in the 1994 NGO forum, held in the midst of heightened political pressure on NGOs, to discuss the future of the NGO agenda. The proceedings of the forum clearly illustrate the division amongst NGO representatives regarding their political role (Ibrahim, 1996). Whilst some speakers (all drawn from the NGO sector) urged NGOs to become political parties, or at least become involved in party politics, others clearly saw this as an unwise role for NGOs:

There are those that advise NGOs to become political parties. But is this really the right way to go? I think this should be avoided. That does not mean that they should avoid developing links with parties or supporting parties, but the nature of these two types of organisation is fundamentally different. (Dhakidae, 1994: 121).

These debates were far more pressing and challenging than those presented to NGOs through the ‘capacity building’ programs offered by donors that focus on developing program management skills, budgeting and evaluation skills, and the

like. The various types of NGOs that had emerged throughout the New Order period were struggling with their own identity. Indonesian civil society organisations were debating and negotiating their roles and space within Indonesian society whilst being constrained by the Suharto regime. These constraints, and the disunity they engendered, prevented civil society organisations from taking greater control of the political landscape in the post-Suharto era.

NGOs in 2000, even though liberated from the laws and restrictions that repressed them, still fear cooptation, umbrella organisations, infiltrators, and any attempts at control. Hikam summarises the political landscape of the nineties as characterised by growing agitation and organising (Hikam, 1998). He believes that had civil society been permitted to flourish in Indonesia prior to the crisis, then it may have formed a solid and united foundation for genuine and far-reaching reform in the post-Suharto period. However the ceaseless repression of the Suharto government forced activists into defensive positions and stifled the ability of organisations to promote widespread political awareness and dialogue (Cohen, 1998b). It is this legacy of the Suharto period that helps explain why NGOs, together with other civil society organisations such as trade unions and student groups, have not been able to transform the apparatus and elite networks of the Suharto regime. Civil society groups were united for the purpose of ousting Suharto, but afterwards they once again fragmented (Cohen, 1998b), leaving space for Suharto cronies to maintain control:

After having brought down the Suharto government, the civilian alliance against the ancien regime quickly disintegrated. Confronted with a weak President (Habibie) often ridiculed in the press, the civilian forces felt encouraged to build up political organisations representing their particular group interests rather than wish for a united stand against the Habibie administration which many saw as a continuation of Suharto's. (Mietzner, 1998: 148).

The fractures and disorganisation continued into Wahid's presidency, as Lloyd and Smith note:

The Philippines-style people's power movement that helped throw Suharto from office in May 1998 has since broken up into disparate and often disorganised social and political movements and factions. The widespread expectation of the emergence of a new system of political stability accompanied by a vibrant civil society has been hamstrung by a plethora of factors...the difficulties of implementing a democratic structure and adhering to a democratic ethos after a sustained and pervasive period of authoritarianism have been reinforced overwhelmingly under the faltering administration of Abdurrahman Wahid. (Lloyd & Smith, 2001b: 1-2).

Types of NGOs

- ***Community Development and Advocacy NGOs***

At the 1994 Indonesian NGO forum debate regarding the role of NGOs in Indonesia flourished (Ibrahim, 1996). Arief Budiman, Indonesian activist and now Australian based academic, argued that, broadly speaking, there have been

two types of NGOs in Indonesia: ‘community development’ NGOs and ‘advocacy’ NGOs (Budiman, 1994; see also Hikam, 1998; Holloway & Anggoro, 2000). As well, many of the interviewees for this research believed that NGOs could readily be characterised as belonging to one of these two types.

Community development NGOs provide health, education, and general welfare type services that assist people at grassroots levels in their struggle with poverty and marginalisation. These NGOs are focussed on development objectives that provide direct services and basic resources to people without producing fundamental change to political, economic, and patriarchal structures. Indonesian community development NGOs may have national or regional structures and programs but they operate at the local grassroots level to provide services. *Bina Swadaya* is an example of a national community development NGOs (see Appendix 3).

Advocacy NGOs are concerned with promoting fundamental changes to existing relationships of power and have been involved in the pro-democracy movement, anti-corruption and anti-debt campaigns (for example *Debt Watch* and *Indonesian Corruption Watch*), human rights advocacy (for example *LBH – Legal Aid*), environmental causes (for example *WALHI*), labour rights (for example the *Jakarta Social Institute*), and economic / development issues (for example *INFID*). Although commonly thought of as existing primarily at the regional and national levels, NGOs at the grassroots level also undertake advocacy campaigns.

This dual typology is a little misleading however, as the above historical overview demonstrates. In reality there is more overlap between the two types of NGOs than what their basic definition suggests. Many community development NGOs see their role as providing for basic essentials whilst raising the political consciousness of people at the grassroots and building a counter-hegemony in order that resistance from below may grow, organise, and eventually take power from the elites. Some community development NGOs have ‘empowerment’ objectives that seek to transform relations of power as they are experienced at the grassroots levels. For example, Frederick Bunnell undertook a study of a Yogyakarta based primary health service NGO called “CD Bethesda” (Bunnell, 1996). This foreign funded NGO saw its objective not only in terms of direct service delivery but also in terms of making political space at the local level for marginalised groups. Their role was to impart primary health care knowledge and tools to local communities. However they sought to achieve this by shifting the power balance between local elites and villagers, and introducing democratic practices and rights based dialogues. Although this work is not typically characterised as political advocacy, it clearly has political empowerment objectives and outcomes. The ‘community development’ NGO characterisation suggests that service delivery constitute the conferral of a service/resource to a passive recipient target group. The CD Bethesda example demonstrates that community development NGOs sometimes engage communities in a dynamic change and empowerment process.

Another point of overlap between many community development and advocacy NGOs can be seen in their shared rejection of Suharto’s patrimonial conservatism

in favour of power redistribution or 'empowerment'. Feminist activists promoted the language of empowerment in the late 1980s as both a process and goal for gender justice (Young, 1997). However it has come to be used so widely, and has been so often appropriated by donors and multi-lateral agencies, that it has lost much of its original meaning and power. More than being about people making choices and taking greater control over their own lives, empowerment for women is supposed to be about:

A radical alteration of the processes and structures which reproduce women's subordinate position as a gender. In other words, strategies for empowerment cannot be taken out of the historical context that created lack of power in the first place, nor can they be viewed in isolation from present processes... Such a view of empowerment implies collective not individual empowerment. (Young, 1997: 372).

'Empowerment' has now been adopted in a broader context, particularly in development and welfare fields, as an objective for other marginalised and oppressed groups. Whilst some groups and NGOs still retain their original and radical orientation, others have watered down 'empowerment' with far more conservative goals. In Indonesia this difference is manifest in the differing strategies for achieving empowerment. Advocacy NGOs readily foster a more radical approach to empowerment that seeks structural change that impacts upon power relations to produce collective empowerment at regional, national, and international levels. Community development NGOs on the other hand, generally seek to expand the choices and relationships between groups of people at village levels. Their approach to empowerment tends to be more conservative. As well, advocacy NGOs generally avoid direct engagement with the government,

preferring to challenge and confront the state and other targets, employing what is commonly referred to as ‘outside-in’ strategies. Community development NGOs are more inclined to employ ‘inside-in’ strategies, believing that the only way to transform government is to work with government and slowly produce change through education and negotiation. This is how Bunnell characterises *CD Bethesda* (Bunnell, 1996).

The distinction between community development and advocacy NGOs was often blurred deliberately by NGOs and activists in an effort to disguise some of the organisational objectives that the Suharto government may have found threatening (Eldridge, 1990). In addition, NGO advocacy groups often endured lengthy periods of attending to the practical matters of managing a foreign funded organisation, including such time consuming tasks as raising and attracting funds and projects, and writing evaluations and reports. Such activity took time and energy away from their advocacy work and also meant that objectives and strategies would have to be negotiated with donors, sometimes resulting in compromised positions (Nordholt, 1999). The compromised positioning of NGOs emerges from their contractual relationship with donors:

The most obvious pressures for co-option arise from the availability of aid finance: ‘he who pays the piper calls the tune’. Whilst funds are important it must be recognised that the influence of utilising such funds goes well beyond simple finance. The acceptance of increasing volumes of foreign aid involves entering into agreements about what is done, and how it is to be reported and accounted for. This fosters an emphasis on certain forms of activity at the expense of others, on upward accountability (rather than downward accountability to members or beneficiaries)

and on particular techniques and donor definitions of 'achievement' throughout the organisation. (Hulme & Edwards, 1997: 8).

The rise of NGOs internationally (in terms of size, number, and resource base), particularly since the end of the Cold War, was driven by political liberal ideology and neo-classical economic theory which Robinson refers to as the "New Policy Agenda" (Robinson, 1997). It has resulted in NGOs gaining more access to resources, status, power, and privilege on national and international stages. Thus NGOs have developed a vested interest in maintaining this position and appeasing the objectives of donors, raising questions regarding whose interests they serve and whether NGOs are sacrificing the interests of the poor and marginalised to the "New Policy Agenda" of many donors and multi-lateral institutions.

The contractual agreement between NGOs and donors sees many NGOs provide services on behalf of the donor. That is services that the donor (not the NGO) has perceived a need for and that the donor designs. The extensive direction of the activities and objectives of NGOs that an increasing amount of donor money is tied to leaves one to question the independence of donors. It could be argued that NGOs, in some instances, have become nothing more than an arm of donors in much the same way that some NGOs were an arm of government during the Suharto regime. Mark Robinson (1997) refers to government sponsored NGOs as public service contractors. In the international development sector one could argue that many NGOs are 'development contractors'. In Indonesia, there are questions to be raised regarding the impact of international donor funding on the

NGO sector. Both types of NGOs (community development and advocacy) are recipients of international funding and therefore, to varying degrees, do represent the interests of those donors. Future research on the NGO sector in Indonesia could further probe this somewhat sensitive terrain.

▪ ***Eldridge's Tripartite Model and NGO Orientation to the World Bank***

Philip Eldridge argues that there are three broad kinds of NGOs in Indonesia that can be characterised in terms of their orientation towards the state. Eldridge developed the model in the late 1980s reflecting the types of NGOs of the time, however I find its usefulness continues in the post-Suharto era particularly in examining NGO orientation to the World Bank. Eldridge's original model categorises 3 types of NGOs on the basis of their orientation towards the State. After researching Indonesia's NGOs and their relations with the World Bank I found that the model could be modified to accurately categorise 3 different NGO approaches to the World Bank. Employing Eldridge's model reveals a parallel between a given NGOs' particular orientation towards the Indonesian structures of state, and its orientation towards engagement with the World Bank. Table 2 adapts Eldridge's model, replacing the 'State' for the 'World Bank'.

Table 2 – Adaptation of Eldridge’s Model that Describes the Position of NGOs towards the Relationship with World Bank in Indonesia

| Orientation to World Bank | NGO Type | | |
|---|---|---|--------------------------------------|
| | 1. High-level partnership: grassroots development | 2. High-level Politics: grassroots mobilisation | 3. Local level consciousness raising |
| Cooperate with Official programs | Yes | Limited | No |
| Development or mobilisation | Development | Mobilisation | Mobilisation |
| Penetration of Bank structures | Medium | High | Low |
| Relations between small groups and NGO sponsors | Semi-dependent | Mutually supportive | Autonomous |
| Orientation vis-vis Bank structures | Accommodate | Change | Circumvent |

Adapted from (Eldridge, 1989).

This model typifies NGOs in terms of the extent to which they perceive that their objectives can be achieved by working with the World Bank. Type 1 NGOs are “High-Level Partnership: Grassroots Development” or community development NGOs (as described above). Type 1 NGOs believe that working together with the World Bank staff can provide a useful avenue for influencing policy and programs. These NGOs have good grassroots connections through their development work, but do not have radical empowerment objectives, seeing their development work as apolitical. They, like the Bank staff, are keen to focus on the technical issues of development programs and distance themselves (although

not altogether) from broader questions and critiques regarding the economic and political consequences of the World Bank development model. A type 1 example from my research is *Bina Swadaya*. This organisation undertakes a number of government and international donor contracts to implement community development programs throughout Indonesia. It enthusiastically responds to invitations from the World Bank for dialogues and has always had a relatively close relationship with the Suharto government. This NGO is comfortable discussing aspects of the development planning cycle (ie. planning, implementation, and evaluation), and unwilling to fundamentally challenge the Bank's development agenda. In its relations with the Suharto government it never challenged the regime's development ideology, instead it assisted in putting it in place. Indeed, the representative from this organisation took credit for designing some of the Suharto government's development programs.

Type 2 NGOs are characterised by Eldridge as 'High-Level Politics: Grassroots mobilisation'. This type of NGO is born of a more radical tradition, employing critical analysis to examine the New Order regime of Suharto and the World Bank. They are political advocacy NGOs as described in the dual typology above. In general, type 2 NGOs do not favour the systematic building of a relationship with the World Bank, and they place significant limitation and proviso on their dialogue with the World Bank. Their dialogue with the World Bank focuses on broader economic and political issues as opposed to the technical issues of program development. As well, type 2 NGOs lobby the World Bank through external vehicles (eg. the media) and international forums. INFID,

WALHI, and JARI are examples of type 2 advocacy NGOs, undertaking very limited dialogues with caution.

Type 3 NGOs have no relationship with the World Bank at all, seeing their role as consciousness raising and empowerment at the grassroots level. Type 3 NGOs incorporate those NGOs that cannot be adequately described in the dual typology described above. These NGOs focus on political consciousness-raising at the local level. They promote awareness of human rights, ideas on democracy, and political participation. Often influenced by Gramscian analysis they believe that change cannot be achieved in cooperation with the World Bank and other instruments of the ruling elite. Rather, that change will be achieved through the strengthening of grassroots groups and communities, their building of a counter-hegemony, and their organisation for radical change. Type 3 NGOs pursue transformation of relations of power through the development of grassroots social movements. They survived Suharto's regime by disguising their consciousness-raising work in the rhetoric of development and/or by keeping a low profile. In the post-Suharto era a type 3 example is Debt Watch. This organisation has completely cut off contact with the World Bank even though transforming the World Bank and IMF is fundamental to its objective. In my interview a representative from Debt Watch claimed that change could not be achieved by engagement with the World Bank and that education and mobilisation with the people was the only way to pursue empowerment.

- *Fake NGOs*

A fourth type of NGO exists in Indonesia; ‘fake’ NGOs. These NGOs have not been incorporated into the Eldridge model. There are two types of NGOs that can be considered fake, they are GONGOs (government organised NGOs – previously discussed) and red-plate NGOs. Red-plate NGOs are those that have been established by bureaucrats (former or current) for the purpose of receiving and manipulating money from the government or from donors for development projects. They have proliferated throughout Indonesia in the wake of the 1997/98 economic crisis and are easily recognisable because their staff often drive government cars (government cars have red licence plates).

In designing the Social Safety Net (SSN) in 1998 and 1999, the World Bank persuaded the Indonesian government to use NGOs to monitor SSN programs. As a consequence there was a great deal of money made available to NGOs throughout Indonesia for these purposes. Many of those who had been a part of Suharto’s network of village and provincial management, ex-civil servants, or corrupt business leaders, established NGOs in order to siphon off funds from the SSN for their personal gain. In this way SSN funds were corrupted and NGOs numbers skyrocketed (Hafidz, 1999; Holloway & Anggoro, 2000). The outcome of this saw the World Bank again lose credibility in the eyes of an already sceptical and sometimes outright hostile, ‘real’ NGO community. Ironically it was this very community that the World Bank had been trying to win over when it pushed the Indonesian government into accepting the contracting of NGOs for SSN monitoring. In contributing to an explosion in red-plate NGOs the World

Bank changed the landscape of the NGO sector in Indonesia. The current situation is one where corrupt NGOs compete for space in the development sector with less contaminated NGOs. It is estimated that at least 50% of all NGOs in Indonesia are red-plates (Holloway & Anggoro, 2000).

- ***Civil Society, NGOs, and Hegemony***

Suharto understood the importance of hegemony to the maintenance of his authoritarian rule, and the importance of civil society in promoting (or endangering) hegemonic ideas, hence the vigour with which he attempted to co-opt civil society, including the NGO sector. The NGO sector could either promote or undermine his ideology of development and Pancasila. In civil society lie the seeds for both the maintenance of the status quo and the transformation of capitalist society. Those sections of civil society that resisted and opposed hegemonic ideology could construct a counter-ideology that could be advanced amongst the population, thus diminishing the consent, or at best acquiescence, granted to the ruling elite and eventually enabling the transformation of the state.

Gramsci's notion of hegemony, and the role of civil society in maintaining it, offers a good framework for understanding the various types of NGOs and state-NGO relations in Indonesia. Gramsci held that a ruling class maintained its position by successfully promoting an ideology within the minds of the masses who gave their active consent to the ruling class and hence to the ruling ideology, even when that ideology is not in their own best interests (Bocock, 1986). The

role of civil society is central to the maintenance of hegemony in so far as it gives reason and justification to the ideologies of the ruling class:

Western European capitalist societies, according to Gramsci, are governed not only by the coercive powers of the state, but also by the maintenance of consent to bourgeoisie hegemony (roughly, intellectual and cultural leadership) in the realm of civil society. In the associations and institutions of civil society the bourgeoisie maintains its social dominance through the influence of its ideas and cultural products. Thus, for Gramsci, civil society is a vital terrain on which capitalism must be fought. (Wilkins, 1996: 102).

Although referring to Western Europe these ideas resonate with Indonesia's NGO sector and Suharto critics, many of whom have drawn on neo-Gramscian analysis to understand their role and state-civil society relations in Indonesia, particularly student movements and many advocacy NGOs throughout the 1990s (Riker, 1998). David Bourchier argues that the Jakarta based influential think-tank, the Centre for Strategic and International Studies, was instrumental in promoting the New Order's hegemonic ideas, particularly internationally (Bourchier, 2001).

In Gramscian terms, generally speaking, type 2 and 3 NGOs form that part of civil society that challenges hegemonic ideas and attempts to construct a counter-ideology that might eventually overthrow the establishment. Type 3 NGOs prefer the strategy reminiscent of Paulo Freire's work in Latin America on education and in raising political awareness amongst peasants and other oppressed groups of people. Indeed, Freire was a popular radical theorist in Indonesia throughout the 1980s upon whose theories many type 3 NGOs modelled their work.

Type1 NGOs, however, fit more readily with the sector of civil society that Gramsci describes as supportive of hegemonic ideas and status quo power relations. Type 1 NGOs are generally concerned with the technical objectives of development programs only, although it is important to remember the overlaps between NGO types described in the preceding pages. Their objectives do not usually include the radical transformation of power relations or the rejection of the ideology of development and Pancasila as defined by Suharto. Type 1 NGOs, or community development NGOs, through their cooperation with the Suharto government and their participation in the technical application of development ideology, consent to existing power relations and the ideology of development that Suharto promoted.

One cannot underestimate the impact of the Suharto regime on the history and development of NGOs in Indonesia. Indeed, it rooted mistrust and constricted debate that led, in the nineties, to the increasing fracturing of the NGO sector, making it unable to unite in the post-Suharto era to push forward the reform agenda. In this chapter I have thus far presented a number of different ways of categorising the various NGOs found in Indonesia including, the commonly employed 'community development' / 'advocacy' NGO typology and Eldridge's matrix depicting three different NGO types. I have argued that Suharto understood the importance of hegemonic ideas to his ongoing grip on power and hence marginalised, coopted and controlled those NGOs that threatened his ideas and power. I have also asserted that NGO-World Bank relations mirror NGO-state relations. However, throughout this thesis I rely upon the dual typology that

is commonly employed throughout Indonesia, whilst also recognising that it has its limitations, because it is a shorthand way of illustrating an extremely complex landscape.

Appendix 3 presents a table that briefly describes the NGOs that participated in this research and where they are positioned in relation to the above-described typologies. The descriptions are drawn from the NGOs descriptions of themselves in interviews and in their various publications.

Portraying the Indonesian NGO Sector

The World Bank staff I interviewed portrayed how they perceive NGOs in Indonesia. This portrait describes an NGO sector that fears cooption and uses ‘outside-in’ strategies to achieve its objectives. As well, it describes a sector that lacks maturity and capacity for development work, and lacks grassroots connections and hence legitimacy. Staff claim that it is these characteristics of the NGO sector in Indonesia that frustrate their attempts to form constructive working relationships. This portrait resonates with perceptions of NGOs in Indonesia more broadly, for example with many in the international donor community. This section presents the significant aspects of the portrait of NGOs painted by World Bank staff and my analysis of some of the assumptions and motivations that seem to be at work in the formulation of Bank staff opinion on Indonesian NGOs. The portrait, and its underlying assumptions, is significant because the World Bank in Indonesia perceives aspects of NGOs as threatening both to their evolving relationship with NGOs, and to the future of civil society in

Indonesia. As a consequence of its understanding and conclusions regarding the Indonesian NGO sector, the World Bank has assigned itself a role in shaping Indonesian NGOs in order to further its vision of Indonesia. This section illuminates some of the ways it seeks to achieve this.

- ***Fear of Co-option***

World Bank staff noted that NGOs in Indonesia have a deep-seated fear of being coopted by the institution. Indeed, NGO representatives I interviewed agreed that many in the sector (particularly advocacy NGOs) are apprehensive and suspicious. They fear that the World Bank may be trying to coopt them through the process of engagement in dialogue, with the objective of securing at least NGO complicity or, more ambitiously, approval for its development agenda. However there was a distinction between different types of NGOs in this regard. Those NGOs that least feared cooption were also those that had continued to work closely with the government of Indonesia and the World Bank throughout the Suharto era. These NGOs are large community development NGOs, or Model 1 NGOs. With the exception of these, NGOs argued that the World Bank's close association with the former Suharto government was reason enough to be at least suspicious of the World Bank.

In interviews, the majority of NGO representatives (predominantly advocacy NGOs) spoke at length about the need to guard diligently against various kinds of cooption methods. These methods include inducements to undertake World Bank contracts (eg. research contracts) and the investing of time into ongoing

consultations that act to re-direct the energies of NGOs away from advocacy. An invitation to international conferences and/or to join seemingly powerful yet essentially feeble committees for overseeing various projects were also commonly cited co-option methods. In one case, a prominent NGO representative spoke of the numerous attempts the World Bank had made to co-opt her and her organisation (NGO interviewee No. 2, 2001). She claimed the World Bank had used an employee to befriend her and to arrange social occasions designed to extract information on NGO campaigns. The World Bank also made her an offer of employment that was read as a blatant attempt at cooption. Another representative from a different NGO spoke of constant invitations from the World Bank to form a collaborative working relationship to address corruption issues. However, the NGO had thus far refused the invitation because the World Bank was unwilling to give up its demand for the role of chair on the envisaged committee. The staff of this NGO concluded that the World Bank wished to coopt it by drawing it into a committee that it had no control over and then influencing its work and controlling its voice (NGO interviewee No. 4, 2000).

Indonesian NGOs are not new to the dangers of cooption. As many representatives pointed out in interviews, the shadows of the former Suharto government hung over them. Many are highly sensitised to the methods of cooption and painstakingly guard their independence from such intrusions. Within this environment of heightened sensitivity cooption can be read into a broad range of World Bank activities, even the most benign comments at meetings are read with suspicion and hence may be interpreted in ways that confirm NGO fears. The diligence with which these NGOs guard their own

independence is reinforced by the constant surveillance that NGO staff and leaders put each other under for fear that their colleagues will be coopted. They are at pains to present themselves as independent from the government and the World Bank. Consequently, NGOs not only fear cooption in itself, they also fear being seen to be coopted and hence shunned by the NGO community and to lose face in the public's eye.

World Bank staff interviewed also felt that NGOs fear of cooption is one of the factors that prevents them from learning and adopting the skills that would help them to mature and interact fruitfully with the World Bank. In fact, five of the six Bank staff interviewed commented upon how this aspect of NGOs in Indonesia hampered their relationship with them. To illustrate, a World Bank staff member gave this example: The Bank in Indonesia struggled to recruit and contract an organisation to conduct the Country Assistance Strategy (CAS) consultations. In giving their reasons for rejecting the offer of a contract NGOs revealed their fear of cooption, claiming that they did not want the contract because in accepting World Bank money they would be granting some managerial control to the World Bank. In addition, they did not want to be used by the World Bank in its attempts to promote itself as civil society friendly. The World Bank also felt that any NGO that did take up the contract would immediately be seen as having been coopted by the Bank and hence loose credibility within the NGO community (World Bank staff member no.3, 2001).

The World Bank NGO liaison officer in Indonesia takes up this issue in his internal paper entitled, “*Terms of Non-Endearment: Why the World Bank and Civil Society will never see eye-to-eye*”, written in November 2000:

One of the reasons many CSOs [*civil society organisations*] – even some of the allegedly conservative ones – tend to shy away from an in-depth engagement with the World Bank is the concern that they might be coopted so that the Bank can dilute CS criticism and improve its public image... The main rationale is spurious; I’ve never known any Bank staff to consciously attempt to ‘coopt’ any civil society group. While it is legitimate to decline Bank funding on the grounds of maintaining complete autonomy, many CSOs are more concerned about their own image within the NGO community. (McCarthy, 2000a: 6).

An NGO was eventually found to take up the CAS consultation contract, this NGO believing that working together with the World Bank is the key to influencing the Bank’s direction in favour of better development programs (NGO interviewee No. 15, 2000).

World Bank staff in Indonesia demonstrated an understanding of the fear of cooption that NGOs hold. However they found it frustrating that such a fear should remain in the post-Suharto era, given that reformasi has liberated laws governing NGO activity and freedom of speech. The staff blamed the former Suharto government and its repressive policies towards independent NGOs for the high degree of caution with which NGOs approach the Bank, yet they were adamant that the fear is not based on any real threat from the World Bank. The World Bank staff failed to draw connections between the Suharto government’s

repression and the Bank's role in supporting the regime, and how that might impact upon their ability to win credibility and form relations with NGOs in the post-Suharto era. They further failed to understand the longer-term impacts that such repression may have on NGOs and civil society more widely, which will continue to severely hamper their efforts to build relationships with them. The Bank's lack of reflective analysis goes some way to explaining why staff demonstrated such a high degree of frustration towards the NGO community.

The fear of cooption that NGOs experience is not isolated to Indonesia. It is a fear shared by many NGOs, particularly NGOs operating under authoritarian regimes in developing countries²⁵. The World Bank head quarters in Washington has adopted a policy of engaging NGOs throughout the Third World. NGOs fear that this engagement is a move to silence them in a period of heightened activism against the agenda of globalisation. In her book entitled, "The Violence of development: a challenge to intellectuals", Joke Schrijvers discusses the fear of cooption that many NGOs in developing countries grapple with (Schrijvers, 1992). She cites the following quote from a 1991 newsletter of DAWN (Development Alternatives with Women for a New Era), the largest NGO network for women in the South:

The new interest in women, NGOs and people-centred development appears to be purely instrumental to the supply-side economic agenda which undermines the very basis of people's livelihoods. Non-governmental organisations are, in many

²⁵ This in no way implies that NGOs in liberal democracies of the West are not coopted or controlled by the conditions tied to grants.

countries, emerging as substitutes for government planning, resourcing and organising development... The potential cooptation of the agendas of DAWN and similarly oriented organisations requires us to sharpen our analysis of current, rapidly-changing, development trends. (Schrijvers, 1992: 17 - 18).

Not only do NGOs themselves perceive the threat, writers such as Hulme and Edwards (1997), Paul Nelson (1995), Howell and Pearce (2000), and Smillie and Helmich (1999) warn of the dangers for NGOs in the developing world. They are alert to the potential for NGO agendas to be diluted by the process of engagement, that they will cease being advocates for people and instead become development contractors or implementers of donor policies. The fear is that they will become tools of a development paradigm they do not support. As a consequence many NGOs in Indonesia choose to employ ‘outside-in’ strategies so they can maintain distance from those organisations that would seek to coopt them.

- ***Outside – in Strategies***

In Indonesia the strategies of political activism - when employed to influence the government or an institution such as the Bank – are often referred to as “outside-in” strategies. Outside-in means employing a strategy that aims at producing change by putting pressure on institutions and/or people without actually engaging the particular target in dialogue. By contrast, “inside-in” strategies seek to engage institutions and/or people who are the target of change in the change process. Such strategies seek to cooperate and dialogue with institutions in order

to try and influence their policies. Inside-in strategies are more often employed by type 1 type NGOs, or community development NGOs, and sometimes by Model 2 NGOs. Advocacy NGOs, or type 2 NGOs, and some type 3 NGOs, generally prefer outside-in strategies. They favour minimal or no dialogue with the World Bank, instead trying to generate influence through political pressure and public opinion.

During Suharto's reign, particularly throughout the eighties and nineties, NGOs that sought to change the government's (World Bank sponsored) development agenda often employed outside-in strategies. Inside-in strategies, although adopted by many community development NGOs, brought NGOs dangerously close to cooption. Generally, outside-in strategies focussed on promoting NGO concerns to the international community, encouraging various institutions and governments outside of Indonesia to bring pressure to bear on the Indonesian government. The Suharto government used these occasions to repress and vilify NGOs. The World Bank was also a frequent target of Indonesian international advocacy campaigns. Chapter 6 provides a more detailed account from the NGO campaigns around Kedung Ombo Dam and the Transmigrasi projects (Rumansara, 1998). Indonesian NGOs found that they could target multi-lateral institutions such as the World Bank for criticism without drawing the wrath of the Indonesian government. The World Bank in Indonesia could not respond with repression, however at that stage it maintained a closed-door policy towards NGOs and did not criticise the government for its repressive tactics.

Since the economic crisis, the advocacy NGO community has increasingly found space within Indonesia to voice its longstanding concerns, first in joining the student uprisings of 1997/98 and then in the *reformasi* period that followed. This part of the sector has orchestrated public campaigns against the World Bank, for example, the anti-debt campaign, and has been granted space in Indonesia's recently liberated media to voice its positions. In this way, advocacy NGOs in Indonesia have continued to employ outside-in strategies, however their arena now includes more domestic activity. In this work, advocacy NGOs are often supported by many community development NGOs who have thus far preferred to maintain a lower public profile. Prior to democracy the World Bank readily ignored Indonesian NGOs without incurring any immediate costs to its own credibility in the eyes of many of the largest international donors (who were also eager to promote the benefits of the growing Indonesian economy), most Western governments, and World Bank head quarters. Its agenda could move forward without the uncertainty and instability that may accompany organised civil society and public opinion. In the era of democracy and *reformasi* however, the World Bank's public credibility is vital as governments (and hence the Indonesian government's development agenda and position towards the World Bank) are more readily influenced by public opinion.

In my interviews, World Bank staff in Indonesia were critical of the continued employment of outside-in strategies by many high profile advocacy NGOs. World Bank staff reported that the outside-in strategy of NGOs now includes tactics such as domestic protests, petitions, media campaigns, and the like. Whilst claiming to understand the importance of this strategy in the Suharto era, World

Bank staff argued that they are now out-dated. Staff were critical of both the domestic and continuing international campaigns of advocacy NGOs. To quote one staff member: “*NGOs keep banging the same drum*” (World Bank staff member no. 5, 2000). What’s more, Bank staff were frustrated that since *reformasi* NGOs have continued their campaign of opposition towards the Bank rather than re-direct their attention to the government of Indonesia which they felt should be NGOs primary target.

In pursuing outside-in strategies World Bank staff felt that NGOs fail to offer any constructive input into program design and implementation. They thought this ironic given the barrage of criticism their programs have received. Whilst in agreement that NGOs had developed in this way as a consequence of the former political environment, both the World Bank Country Director and the Social Safety Net Adjustment Loan Team Leader argued that the international anti-globalisation movement had influenced and encouraged the continuation of outside-in strategies in Indonesia. However my interviews with NGOs showed they did not perceive themselves as part of a global campaign, rather they were very focussed on domestic issues and Indonesia’s place in the global economy.

Although World Bank staff generally disliked the outside-in strategies, the Country Director of the World Bank in Indonesia conceded that the strategies were producing a response by the World Bank and that:

I think this is useful (*NGOs*) upping-the-ante, it stops us from going soft. Believe me I will think twice before I release the second tranche (*of Social Safety Net*

Adjustment Loan dollars) because I know I'm going to get this barrage of criticism.
(Baird, 2000).

Yet despite the identified impact of outside-in campaigns, the World Bank remains hostile and frustrated by such strategies. These are not the activities or roles that the World Bank imagines for NGOs in Indonesia. Rather, the Bank imagines a sector that shares its development vision for Indonesia and values the Bank's development agenda as a way forward. Inside-in strategies are more in keeping with the Bank's imagined 'partnership' with NGOs. World Bank attempts at strengthening 'civil society' through partnership impose this vision of compliant NGOs that adopt inside-in strategies.

Howell and Pearce, in their critical analysis of donor-NGO relations, argue that NGOs are in danger of becoming technical instruments rather than a social force for change because donor agencies have foisted blueprint liberal conceptualisations of civil society onto recipient countries. They ask:

Is donor support to civil society another manifestation of neocolonialism in the post-Cold War era, aimed at controlling the nature of political regimes and extending global markets? Do donors have the rights, let alone the capacity, to shape other civil societies? By projecting their own visions and understandings of civil society, do they not undermine the ability of local organisations to set their own priorities and agendas, to vocalise their own imaginations of social and political change? (Howell & Pearce, 2000: 83).

These same arguments and questions are pertinent to the World Bank's relations with NGOs and to this case study, as is the question of whether the World Bank has now put its considerable weight behind the project of shaping NGOs in order to promote a certain political and economic order.

- ***Capacity and Maturity of Indonesian NGOs***

Some World Bank staff in Indonesia claimed that NGOs tended to lack capacity and maturity. Indeed their lack of capacity was seen as a consequence of their immaturity. Of the 6 World Bank staff members interviewed 5 claimed that engaging NGOs was made more difficult by the lack of maturity and/or capacity of Indonesian NGOs. Hence NGO 'capacity building' has become a priority of the development agenda of the World Bank and international donors. In this way, Bank staff understood NGO development on a trajectory. NGOs are perceived to have a stunted and slow beginning due to the Suharto government's repressive policies towards NGOs. Hence they remain at the beginning of their development, yet carrying a lot of baggage from the Suharto years. As a consequence NGOs are perceived to lack skills, knowledge, and information, as the Bank's NGO liaison officer notes:

As with Indonesian politics and the media, Civil Society is rarely a bastion of factual accuracy. Misconceptions and dis-information cloud many of the currently popular CSO views. (McCarthy, 2000a).

Described as “in their infancy” by Bank staff, NGOs are perceived to require capacity building in order to be capable of constructive dialogue with the World Bank. Capacity building includes skills and knowledge in the areas of development studies; negotiation; policy analysis and evaluation; program design; report writing; and direct service delivery. World Bank staff also claim that Indonesian NGOs require better knowledge and understanding of the World Bank itself, arguing that such capacity would result in NGOs regarding the Bank more positively, which in turn would enable the development of more constructive relationships. World Bank staff are here assuming that people and organisations only object to the institution because they don’t understand it. Further, some Bank staff felt that advocacy NGOs were unwilling to engage in capacity building because they wanted to maintain their ‘outside-in’ strategy and their political ‘purity’. In coming to this conclusion Bank staff are again assuming that NGOs would be more favourable to them (eg. adopt inside-in strategies) if only they had better skills and knowledge.

This somewhat patronising assessment of Bank staff towards NGOs appears to be widespread amongst World Bank staff and not isolated to the Indonesian case.

Paul Nelson in his study on World Bank relations with NGOs found:

“Advocacy NGOs” are frequently the first subject raised in conversations with operational staff. Some US-based NGOs in particular are accused of practising an isolated, confrontational style of politics (Policy staff No. 3). An Asia staff economist calls advocacy by policy NGOs “out of control, out of hand, run amok” and suggests that advocacy groups are “unprofessional, not knowledgeable” (Asia staff no. 4). Staff also challenge policy NGOs’ knowledge of Bank operations,

complaining some of their vocal critics “don’t do their homework” and rely on out-of-date images of World Bank atrocities (LAC staff no. 2; Africa staff no. 2). (Nelson, 1995: 132).

In defining a lack of capacity within the Indonesian NGO sector the Bank has moved to assist with the task of ‘capacity building’, and delayed the process of fully engaging NGOs to a time when NGOs are more ‘capable’ of constructive engagement. A number of World Bank staff identified strategies that they had employed to build NGO skills and knowledge so that in the longer-term NGOs would be capable of constructive engagement. All 6 of the World Bank staff interviewed argued that strengthening NGO capacity was an important factor in facilitating the development of their relationship with NGOs and/or was important to Indonesia’s future development, particularly in regard to bolstering its ability to stamp out corruption.

World Bank staff asserted that they were well positioned to promote capacity building by using their influence with the international donor community, exercised both formally through the Consultative Group for Indonesia and informally, to direct funds to that end. World Bank staff claimed that they were required to use their influence in a ‘behind-the-scenes’ fashion in order that NGOs not identify their influence in project and funding availability. Maintaining a hidden influence in NGO capacity building was perceived as necessary because NGOs were extremely sceptical about any programs that the World Bank was involved in. The most frequently cited examples of Bank staff promoting NGO capacity building behind-the-scenes, leaving NGOs unaware of World Bank

involvement, included their involvement in developing the Social Safety Net (SSN) Community Based Monitoring scheme, and the establishment of KIKIS (a research based group).

The key World Bank staff member who negotiated the Social Safety Net Adjustment Loan (SSNAL) with the government claims that it was the World Bank that compelled the inclusion of the Community Based Monitoring program in the conditions for the SSNAL (Pritchard, 2001). The World Bank then negotiated with AusAID (Australia's International Aid Agency) to fund SMERU (Social Monitoring and Evaluation Research Unit) to coordinate the distribution of grants to NGOs to undertake the monitoring of SSN programs at the local level throughout Indonesia. The program was intended to strengthen the capacity and role of NGOs in local communities, however it led to an explosion of red-plate NGOs.

In its capacity building attempts the World Bank worked behind-the-scenes to establish an NGO led research group and forum named KIKIS. The Bank achieved this by enlisting the support of a widely respected donor organisation – the Ford Foundation. The Ford Foundation then acted as a catalyst by hosting meetings to discuss the formation of such a group, with KIKIS eventually emerging from a core group of NGOs attending these planning sessions. The World Bank representative attending the initial planning meetings was not invited to join KIKIS. The World Bank staff involved remained convinced that the idea would have failed if NGOs knew that the World Bank had initiated the process (World Bank staff member no.4, 2000).

World Bank staff believed that they had an important role to play in enabling Indonesian NGOs to ‘mature’, even though they had to be discreet. As one World Bank interviewee stated:

Every chance we could we were using intermediation to get done things that I wanted done, that we at the World Bank actually wanted done, but knew that the NGOs would never do in a million years if they thought it was ‘World Bank’.
(World Bank staff member no. 1, 2001).

In facilitating NGO capacity building in this way the World Bank staff in Indonesia are making the assumption that NGO development is on a trajectory from ‘infancy’ stages of immaturity to the stage of ‘capable’ development organisation, and that they can facilitate this process through funding. The ‘infancy’ stage is characterised by a lack of modern (Western) organisational systems and hierarchal structures, resulting in a lack of accountability, transparency, and efficiency. NGOs in their infancy lack knowledge regarding the practices and functions of (Western influenced and controlled) multi-lateral institutions, donor agencies, and the development environment. NGOs are thought to rely upon rumours and media reports for their information gathering, rather than research and statistics. Finally, NGOs in their infancy rely upon employing outside-in strategies to achieve their objectives as a consequence of having limited skills for negotiation and program planning. Capable and ‘mature’ NGOs, on the other hand, have modern hierarchal organisational systems, policies, and structures. They readily understand contemporary development

discourse and employ its jargon, and they can negotiate the complex web of institutions that make up the development environment. They are skilled negotiators and can influence development planning by employing inside-in strategies to achieve their objectives. The underlying gendered script that is inherent within this portrait will be discussed in detail in Chapter 7.

The assumption that NGOs develop in such a way is misleading and assumes that those NGOs in Indonesia that resist are stubborn in their immaturity and their infancy. It is a patronising assumption that leads to the justification of capacity building programs that focus attention on building development institutions that fit with the World Bank's vision of the role and function of NGOs in a liberal democracy. Kamal Peris (1992), speaking on behalf of Sri Lankan NGOs summarises a similar problem:

We think that we should not become results-orientated doers using alien complicated bureaucratic structures and legal frameworks that bind us by red tape. Rather, we should nurture our flexible, caring attitudes, changing our strategies according to the needs of our people...We should follow simple rules that are understood and formulated by a common consensus of all, so that participation at all levels is exercised, giving life to the true meaning of the word. We should not be tricked into believing that top-down approaches – where power rests with the few that use concepts such as “beneficiaries” and “target groups” who only receive – bring results more efficiently and in the shortest possible time...I present you with the idea that the most disadvantaged and the poorest people of our lands have survived through the ages using their own efforts and strategies, their will to live facing all kinds of oppression, subjugation and marginalisation. Their survival strategies, adopted to suit each occasion and challenge as it arose, should be the

bedrock on which our own NGO strategies should be formulated. (K. Peris, cited in Schrijvers, 1992: 19).

Having already pointed out that it was Indonesian community development NGOs (type 1 in Eldridge's matrix) that were the easiest for Bank staff to engage, Bank staff assumed that advocacy NGOs employing outside-in strategies are somehow less mature and less functional than their counterparts. In so doing, Bank staff undermine the value and worth of both advocacy work and the NGOs that employ outside-in tactics as a strategy. Indeed, they undermine the value of any NGO that does not embrace the same development agenda and strategies that the Bank does. Capacity building attempts can be construed as an attempt to make NGOs fit with the World Bank's neo-liberal ideal of NGOs.

Olle Tornquist takes the argument one step further in suggesting that the path to democratisation comes to Indonesia in a pre-constructed formula that is promoted by Western interests. This includes (among other things) the construction of the role NGOs and civil society play in the democratic future of Indonesia:

What is on offer are primarily ideological packages – complete with ideals about civil society and civic virtues, special constitutional arrangements and electoral laws, technically oriented voters' education, unregulated market economies and enlightened compromises – on the basis of rather self-congratulatory readings of European and especially US experiences. (Tornquist, 2000: 385).

The World Bank, in taking the lead in directing NGO 'development' is manipulating the future direction of NGOs in Indonesia away from their political

advocacy and towards a role as technical advisors, researchers, and service delivery agents. The move threatens to de-politicise NGOs and turn them into development contractors. The Bank is granting greater status to those NGOs that embrace its development agenda, and is defining its own terms for what constitutes NGO legitimacy.

- *NGO Legitimacy*

World Bank staff interviewed for this research discussed their concern that NGOs in Indonesia did not have strong grassroots connections. This presented staff with problems in justifying their interactions with NGOs on the grounds that they weren't necessarily representative of the broader population, nor did they have a particular constituency, and hence should not claim to know their concerns and needs. Indeed, some staff reported that the NGOs with the largest voice and most antagonism towards the World Bank are the most distant from the people at the grassroots (World Bank staff member no.4, 2000).

This criticism of NGOs is not isolated to the Indonesian experience. NGOs internationally have been the subject of such criticism. Questions are raised regarding the extent of the membership base of NGOs, their level of support, who they actually represent, who they are accountable to and the strength of the accountability processes, and whether their power to affect decision making is in proportion to their support base within the community (Clarke, 1995; Cleary, 1995; Nelson, 1995; Fox & Brown, 1998). The point is summarised by Hudson:

As NGOs have moved further into advocacy and influencing work as part of a development-as-leverage approach, they have encountered a variety of related challenges and criticisms. These challenges question the effectiveness of their advocacy work, their legitimacy as advocates for development, their accountability to those they are perceived as representing, and the suitability of their governance structures for a development-as-leverage role. (Hudson, 2000: 91).

The legitimacy of NGOs is at the heart of this critique.

World Bank staff interviewed directed significantly more criticism to advocacy NGOs than to community development NGOs. They challenged the grassroots connections and hence legitimacy of NGOs that employed outside-in strategies to advocate for changes to the political, economic, and social landscape in Indonesia. NGOs that undertook to deliver development services to people were not scrutinised in this way on the basis that their connectedness to the grassroots is evidenced by their working at the grassroots level and hence they understand the grassroots problems and interests. There are a plethora of assumptions at work here that need to be challenged. Firstly, delivering development services to people in villages in Indonesia does not necessarily give an NGO an in depth understanding of the issues concerning people in poverty. Power relations and differentials in access to resources and networks between workers and communities obscure the NGOs understanding of the local situation. As well, NGOs have a vested interest in ‘representing’ the needs of the people in a certain light in order to produce outcomes that gain them either more status or more funds (or both). When reports are prepared for donor organisations, the

government, or other development players, NGOs are keenly aware of their own interests and how to manipulate information in order to secure them. The ongoing status and financial security of the NGO may take precedence over concerns for honestly representing the interests of the people at the grassroots. So whilst community development NGOs may be closer in proximity to people in villages, this does not ensure that they can give an accurate representation of people, their needs, concerns, and interests.

Secondly, in challenging political advocacy NGOs on the grounds that they have no legitimacy, World Bank staff are not only failing to understand the particularities of the historical development of NGOs in Indonesia, but are also basing their call for legitimacy on narrowly constructed grounds. In interviewing World Bank staff I found that legitimacy was not only constituted by grassroots connections through service delivery but that staff also felt that NGOs should have a membership base as evidence of its support. Moreover, staff felt that financial donations from the general public and members could evidence NGO legitimacy. In the Indonesian environment both are unrealistic expectations. The Suharto government's use of fear and intimidation prevents much of the population from actively and publicly supporting the work of political advocacy NGOs, let alone becoming a member of a broad-based political party (Tornquist, 2000). Further, poverty may prevent many people, otherwise supportive, from offering financial assistance to an NGO. Hence, NGOs in Indonesia are not at this time in a position to furnish the Bank with evidence of their grassroots support except through the use of mobilisation strategies. To this end the NGO sector has been able to rally many people in protest of the World Bank and IMF. However,

hundreds, or even thousands, at a rally can in no way translate into evidence of widespread support in a country of over 200 million people – as Bank staff pointed out in their interviews. Further, what percentage of any given population would grant an NGO legitimacy if they had that number of members? This leaves the question as to what precisely does constitute evidence of grassroots support and hence legitimacy. The answer may lie in the question. The question makes the assumption that legitimacy is born of grassroots connections and support. Perhaps this assumption needs to be challenged.

At the heart of the problem is the concern that NGOs should act as vehicles for neo-liberalism and its development agenda. The World Bank does not question the legitimacy and value of community development NGOs not because there is no cause to, but because – generally speaking – they do not vocally challenge the fundamental development agenda of the World Bank in Indonesia. NGOs that are granted legitimacy by the World Bank, therefore, tend to be those that create a conducive environment for the World Bank in pursuit of its neo-liberal development agenda. However the World Bank readily challenges the legitimacy of those NGOs that seek to challenge this agenda and existing relations of power, these usually being advocacy NGOs. The neo-liberal blinkers of World Bank staff make them blind to the realities of the Indonesian environment. World Bank staff in Indonesia expect that NGOs will and should become vehicles for the growth of neo-liberalism. This is a confining space for NGOs, one that restricts their work to technical matters and limits their ability to transform status quo power relations.

As noted above, the World Bank's support of some NGOs, and active encouragement of a certain type of NGO sector, have only come in the relatively liberal post-Suharto era in Indonesia. Prior to this time the Bank was secure with the regime's repressive approach towards NGOs and mirrored the regime's closed door policy to most NGOs. The Suharto regime in Indonesia understood that its power could not be maintained by military might alone. Hegemonic ideas were just as vital to the maintenance and legitimation of Suharto's rule. It used the ideology of Pancasila and the vehicle of development to silence opposition, forestall critical appraisal, reinvent history, and embed authoritarianism. Suharto co-opted, created, or supported civil society institutions (NGOs included) that furthered his hegemony and hegemonic ideas. However there were many civil society actors (advocacy NGOs included) that rejected the development agenda and the ideological constructs of the Suharto regime and in so doing undermined the regime's hegemony. It is these advocacy NGOs that the World Bank staff challenge on the grounds that they lack grassroots connections. The Bank staff fail to understand or acknowledge the operational constraints the regime placed upon such organisations that go some way to accounting for the lack of broad-based membership. As well, the counter-hegemonic ideas that were nurtured and promoted in many advocacy NGOs challenged the ruling regime and hence were dangerous, making broad-based membership unrealistic. However such a lack of grassroots membership does not constitute a lack of support for either advocacy NGOs or their ideas. As well, it is not reasonable for World Bank staff to challenge the legitimacy of such organisations on the grounds that they promote counter-hegemonic ideas.

A Gramscian understanding of the role civil society (in this case NGOs) is instructive for the Indonesian case and for understanding the value and legitimacy of NGOs that seek to redress power imbalances – with or without grassroots connections and membership. Gramsci argued that civil society enabled the legitimization and maintenance of exploitative and oppressive power relations by supporting and promoting the ideas and doctrines of the ruling regime. He further argued that the key to transforming repressive power relations also lay in civil society, specifically those segments of civil society that rejected the ideas of the ruling regime and constructed new and liberating ideas (Habib, 1996a). Their development of a counter-ideology may not have broad-based support initially but this may build as grassroots dialogues are encouraged. Applying similar ideas to the Indonesian case one can identify the presence of those NGOs that work towards transforming exploitative and oppressive power relations between classes, races, genders, and the natural versus constructed environments, these include type 2 and type 3 NGOs, or advocacy NGOs. One can also identify those NGOs and civil society institutions that have at worst actively supported the ideology of the New Order regime, or at best failed to challenge its oppressive power relations, including some but not all community development NGOs, or type 1 NGOs.

In the contemporary climate the World Bank envisions an NGO sector that implements its neo-liberal development agenda (only making technical challenges to it), and supports the free-market and the minimisation of the role of the state. Therefore World Bank staff have come to identify legitimate NGOs as only those NGOs that support and further this vision. NGOs that threaten the neo-

liberal vision, that are usually advocacy NGOs, have their legitimacy challenged by the World Bank staff who do not accept that it may also be legitimate for an NGO to challenge the existing development agenda and to construct and promote alternative ideas on development.

The World Bank staff have judged the legitimacy of NGOs on the basis of their own liberalist conception of the place and role of NGOs in a liberal society. Although liberalist ideology and visions are contested, the World Bank promotes a vision of NGOs as technical instruments for the implementation of the Bank's development agenda. Contesting the legitimacy of advocacy NGOs on the grounds of their lack of grassroots membership, capacity and maturity, serves to undermine those NGOs and their value to future Indonesian society. As well, it justifies the Bank's role in manipulating the direction of the role and place of NGOs in Indonesia.

- *NGOs and Donors*

The contractual relationship between donors and NGOs was an issue of concern for World Bank staff. It was identified as further evidence that (some) NGOs in Indonesia lack credibility and legitimacy. Staff argued that NGOs are overly influenced by the objectives of the donor agency that funds them, as I have described earlier in this chapter. World Bank staff felt that NGOs take on the political concerns of the particular international donor that funds them rather than the concerns of the Indonesian people. To quote from an interview with a staff member:

It's a much more productive dialogue when we're dialoguing about substance than when we're dialoguing about process. And it's a much more productive substance when they've (NGOs) already gone through their internal process of having true domestic based concerns rather than INFID who I think is entirely too much worried about what the Dutch think. (World Bank staff member no. 1, 2001).

World Bank staff have the opinion that NGOs abandon domestic concerns in favour of the concerns of donor agencies – especially those whose agenda is different from the World Bank's. However the World Bank staffer quoted here singled out a particular NGO that is an advocacy NGO, with no similar concern for community development NGOs that are also funded by international donors. Bank staff repeatedly argued that political advocacy NGOs were influenced by particular donors while making no such accusations towards community development NGOs. If NGO agendas are influenced by donor organisations then there is no reason to distinguish between the community development NGOs and the advocacy NGOs except on the grounds of a bias towards NGOs that Bank staff find more 'productive'. The position also ignores the influence of the World Bank on the development agenda of many donor agencies, exercised through its role as chair of the CGI. The Bank staffs' own examples of how they have attempted to build NGO capacity through donor organisations reveals their influence. The World Bank are encouraging, and indeed take a lead role, in influencing the NGO sector in Indonesia, yet reprimand those NGOs that challenge its development agenda for being influenced by (the wrong type of) donor agency.

In embracing a liberalist conception of NGOs the Bank and many private and bi-lateral donor agencies have poured money into NGO capacity building projects. In so doing they have brought their own vision and agenda for change, displacing the agenda of the people and communities at the grassroots:

...although donor funding for civil society in one of the poorest countries of the Western Hemisphere can protect a fragile public political space, it can also distort the agenda for social change and development of the poor majority. (Howell & Pearce, 2000: 75).

Bank staff made an important point in raising their concern that foreign donors too heavily influence NGOs. However this point became a justification for limiting their interactions with advocacy NGOs. Bank staff have responded inappropriately to their concerns in that, rather than taking the issue up with the Bank hierarchy that dominates global development trends – and hence major donor funds – staff simply chose to marginalise and undermine the legitimacy of advocacy NGOs. In berating NGOs for the influence of foreign donors on their activities the World Bank staff failed to examine the Bank's role in constructing hegemonic ideas on development.

▪ ***Conclusion***

In examining the portrait of NGOs as seen through the eyes of World Bank staff it has become evident that their understanding of the sector (as it is and as it should be) is constructed through liberal lenses. They actively pursue an agenda

that manipulates the NGO sector in Indonesia in an attempt to mould a sector that is compliant to the needs of the dominant development agenda and functions to support a neo-liberal vision of Indonesia. Challenging the legitimacy of those NGOs that do not fit with this vision mirrors some of Suharto's methods in marginalising and excluding NGOs and ideas that challenged his hegemony. These methods create a perception that some NGOs are hostile to Indonesian development and therefore hostile to poor people. This becomes more evident as this thesis continues to unravel World Bank and NGO relations.

CHAPTER 5 - FROM REMOTE TO FAMILIAR: THE WORLD BANK

ENGAGES NGOS

Introduction

This chapter contextualises and investigates the evolving relationship between the World Bank and NGOs in Indonesia, particularly in the post-crisis era. The last chapter included how the staff at the Bank in Indonesia portrayed NGOs there, and drew some theoretical conclusions from this. This chapter examines the implementation of the Bank's strategy for engaging NGOs. In so doing it reveals the problems the World Bank in Indonesia faces in pursuing its strategy and exposes the structural constraints that limit its ability to match its rhetoric with reality.

The opening sections of this chapter examine the World Bank's relations - or lack thereof - with NGOs in Indonesia before the 'miracle' economy came crashing down and then, how the crisis impacted upon the Bank's decision to pursue engagement with NGOs. The following section: *World Bank / NGO Dialogue*, draws significantly on my interviews and looks at the differing perspective that the World Bank and NGOs have regarding the Bank's motivations for engaging NGOs in the post-crisis era. Thereafter I detail and consider the strategies and forums that the World Bank has initiated to engage NGOs, again referring to my interview responses to demonstrate various perspectives. I then explore the resistances and capacity of World Bank staff to constructively engage NGOs in

Indonesia in a meaningful dialogue and I examine how this impacts on the World Bank's ability to listen to the voices of NGOs. Another of the Bank's institutional barriers to meaningful dialogue with NGOs is then revealed in the section titled, *But the Bank is a bank*. This chapter closes by presenting the different perspectives NGOs and World Bank staff have regarding the future of their relationship. I then draw the discussion back to how these findings link with the Bank's over-arching neo-liberal development agenda.

World Bank Relations with NGOs in Indonesia Pre and post Crisis

▪ ***The World Bank's Relations with NGOs in Indonesia pre-Crisis***

From the time of Suharto's invitation to the World Bank to enter Indonesia in 1967, until the economic crisis of 1997, the World Bank in Indonesia had a close, and somewhat shielded relationship, with Indonesian technocrats (see Chapter 3) (Pilger, 2001; Pincus, 2000; Winters, 1996). The Bank did not consult with NGOs, institutions or individuals other than those in the regime itself and those civil society institutions that were formed to support the regime. The rhetoric that World Bank development is apolitical was strictly promoted in Bank dealings in Indonesia in the face of all evidence to the contrary. My interviews with Bank staff in Indonesia confirm the potency of this myth.

In interviews, Bank staff drew repeatedly on the construction of economic and political matters as separate, arguing that the Bank's concern was purely with technical-economic matters. The Bank staff used this position to justify its

inaction in engaging NGOs prior to the economic crisis of 1997. As it was explained to me, NGOs were considered ‘political’ entities and hence the Bank’s business and theirs did not coincide. The Bank readily ignored NGOs because it concerned itself with the apparently apolitical activity of economic development. During the Suharto years, NGOs were considered ‘political entities’ and hence outside of the Bank’s sphere of concern, and indeed, outside of their mandate.

The construction of a discourse that maintains the untenable position that the Bank’s work is apolitical runs throughout the contemporary history of the Bank globally (Nelson, 1995; Caufield, 1996). The myth enables the Bank to exert political influence over client countries, as it has done in Indonesia, only owning its role when outcomes will be received positively (Nelson, 1995). The myth is well entrenched within the Bank to the extent that Bank staff I interviewed readily defended it when questioned. Also troubling, these Bank staff maintain the position of apolitical development in the post-Suharto era when their institution is trying to engage NGOs. This exposes some internal resistances to the Bank’s new official strategy in Indonesia.

The closed-door policy to NGOs in Indonesia was not an isolated phenomenon. The Bank globally was well known for its secrecy and its inability to meaningfully engage civil society organisations of any kind (George & Sabelli, 1994; Rich, 1994; Caufield, 1996). As described in Chapter 2, the doors to the Bank had begun to open throughout the late eighties, but it was Wolfensohn who made very public efforts to reform the Bank’s image from 1995. However the Indonesia office – prior to the 1997/98 crisis – seemed impervious to the

demands being made of Bank offices with regard to their engagement of NGOs. The Indonesia office made few attempts to work with any civil society groups at all excluding those that it was now mandated to deal with in the area of environmental impacts such as the World Wide Fund.

The Bank in Indonesia was able to maintain this position on the grounds that the Indonesian economy had prospered under the tutelage of the World Bank. The model and structures were working well and the adage “*if it ain't broken don't fix it*” seemed to be the guiding principle. Even after Wolfensohn had begun making his mark on the Bank and openly encouraged Bank missions to “*hear the voices of civil society*”, the Indonesian office remained relatively unchanged.

Jonathon Pincus (2000) describes four operational imperatives at the World Bank that go some way to explaining why, from an institutional perspective, the Bank did not listen to NGOs in Indonesia in spite of Wolfensohn's rhetoric encouraging the contrary. This includes the Bank's status as a preferred creditor (discussed later in this chapter); the pressure on Bank staff to lend ; centralisation of decision-making in Washington; and institutional capture. In the case of Indonesia, blindness to corruption, repression, poor project performance and implementation, and the concerns of NGOs, can be understood as the result of a combination of the above factors. However, relative to other World Bank client countries, institutional capture in Indonesia was particularly influential and is described by Pincus as:

By capture we mean the process by which Bank operations staff come to identify their interests with the interests of their clients in the recipient country government. (Pincus, 2000: 189).

Particularly in Indonesia's case, the Bank's long-term relationship with the regime and its technocrats, combined with pressure to make more and bigger loans, became more important than any individual loan. Once loans were signed and delivered, the incentive for staff was to move on to the next project, resulting in weak supervision of projects to ensure compliance with loan conditions and Bank policies. Therefore the serious misgivings of NGOs (and others) regarding specific projects such as Transmigration, and the development agenda more generally, were over-looked. In a rare moment of self-reflection the Bank in Indonesia recognised its resistance to criticism of Indonesia's economic success in its draft country assistance review, concluding that the Bank staff in Indonesia "*became prisoner to 'group think'*" (cited in Pincus, 2000: 201):

'Group think' manifested itself at every level, from the Bank's continued support for the failed transmigration programme to self-censorship in semi-public (grey-cover) policy documents. When the government objected to a draft policy poverty assessment report in 1990, for example, the Bank simply changed the numbers... In 1992, when Suharto disbanded the Dutch-led Inter-governmental Group on Indonesia in response to the Netherlands' position on the East Timor question, the Bank stepped in to lead the newly formed Consultative Group on Indonesia. Similarly, in 1997 the Bank's resident representative in Jakarta, Dennis de Tray, vehemently denied allegations that up to one-third of World bank funds were being lost to corruption. Less than a year later it emerged that as he was making these comments an internal Bank memorandum was being prepared that not only

substantiated the charges but also confirmed that the Bank possessed detailed information on how the money was being lost. (Pincus, 2000: 202).

The Bank's significant investment in Indonesia; its desire to protect the 'miracle' and hence its development agenda; the pressure to lend; and institutional capture, together acted as powerful incentives to maintain a closed-door policy to NGOs. NGOs intruded upon the boundaries that the Bank had established, upsetting the carefully constructed frameworks that operated to protect the Bank's development agenda from criticism to ensure the perception of continuing success. However, once the crisis hit the World Bank found it was no longer possible, or perhaps desirable, to maintain its closed door policy to NGOs.

▪ ***The World Bank in Indonesia in Crisis***

The World Bank had for years been promoting Indonesia as evidence of the success of its development model. Indonesia's annual economic growth rates of over 7% were heralded as proof of the long-term benefits of free-market liberalisation. For example (as discussed in Chapter 3), in 1993 the World Bank produced a document titled *The East Asian Miracle: Economic Growth and Public Policy* (World Bank, 1993). The economies of Indonesia and seven other rapidly growing Asian countries were described as "miracle" economies. Throughout the period leading to the crisis, the Bank continued its highly optimistic evaluation of Asian miracle economies. Just months before the collapse, in December of 1996, the World Bank issued a Press Statement to allay

fears that a crisis was looming. The statement, titled “*Is the East Asian ‘Miracle’ Over*”, opened with this:

High growth in East Asia is set to continue into the next century. The fundamentals are in place for the world’s fastest-growing countries to sustain their economic success. Much of the recent bad news, from the export slowdown to high current account deficits and price falls in some markets, reflects temporary phenomena and does not signal an economic decline. Some economies are going through adjustments, but the underlying growth momentum remains extraordinarily strong. (World Bank, 1996).

The World Bank prediction was a long way off the mark. Less than 8 months later economies were collapsing all over East Asia. Such was the confidence in the Indonesian economy that even when the impending crisis was bearing down on Indonesia the Bank remained confident. In its own Country Assistance Strategy Interim Report of 1999 the Bank was forced to concede its failure:

Indonesia’s last full CAS was discussed at the Board on July 19, 1997, just eight days after the devaluation of the Thai baht which marked the beginning of the East Asian Crisis. As the CAS was presented, staff argued that a strong rupiah signalled that Indonesia might resist contagion. A mere ten days later Indonesia’s Central Bank widened its exchange rate band, the rupiah depreciated significantly, and Indonesia was launched into an economic and social crisis that would soon take on historic proportions. (World Bank, 1999b: 3).

As noted in Chapter 3, the economic crisis of 1997/98 brought the World Bank in Jakarta a barrage of criticism and became deeply embarrassing as its own reports

were being cited by Bank critics as evidence of the Bank's incompetence. The World Bank could not distance itself from the 'Asian Miracle' type rhetoric that it had been promoting. World Bank analysis began shifting the blame away from the free market and its own development agenda, and onto the Indonesian government and its culture. Deep-seated corruption, collusion, nepotism, and weak private and public sector institutional infrastructure were to blame:

The proximate causes of the crisis were the *rapid build-up of short-term, unhedged private external debt* in recent years combined with long-standing - and long recognized - *shortcomings in Indonesia's banking system*. As if the financial crisis was not trouble enough, Indonesia was hit by arguably the *worst drought this century*, and, as the crisis continued, by a *collapse in regional demand*, and the *lowest international oil prices in decades*. The country's *critically weak institutions and endemic corruption*, amplified the financial crisis because there were no credible institutional arrangements to offer investors confidence that the crisis would be dealt with decisively, fairly, and effectively, or that the presidential succession issue would be managed smoothly. (World Bank's own emphasis).

(World Bank, 1999b: 4).

The quote demonstrates that the Bank was eager to look to factors other than its own development model and its own role in supporting the Suharto regime. The analysis was supported by the emerging post-Washington consensus in its focus on institutions. The World Bank, in blaming Indonesian institutions, gave itself justification to deal more decisively with issues of governance. In other words, it granted its own rationale for more overtly influencing political matters in Indonesia, using the crisis as its lever.

The World Bank in Indonesia was under pressure to explain the reasons for the crisis, and the reasons for the Bank's inability to predict its onset and magnitude. In formulating its strategies to deal with the crisis it had this cautionary warning:

Today, Indonesians are understandably impatient for change. Calls for a people's economy and a redistribution of assets from the rich to pribumis have acquired considerable popular support and need to be channelled in constructive ways, or else they could do considerable damage. (World Bank, 1999b: 6).

The warning exposes the Bank's concern for the political direction of the country, fearing it might turn away from neo-liberalism as its guiding economic principle. Thus it exposes its concern for the political environment of Indonesia and warns that it ought to support the free market style of development that the Bank espouses and not development that would require "*redistribution from the rich*".

The Bank prioritised social safety nets, economic growth, and strengthening institutions in its response to the crisis:

Consistent with the Bank's overarching mission, we set as our highest priority the reinforcement of social safety nets to help protect the poor and preserve human assets during these most difficult times... In recognition of the institutional basis of this crisis, we will build a foundation for launching an aggressive program for strengthening institutions to support sustainable growth in the future. (World Bank, 1999b: 11).

The social safety nets were crucial for the Bank in maintaining a political environment that would sustain a free-market economic environment. Although

social safety nets ensure a short-term re-distribution of resources to the poor, they do not necessitate any longer term and fundamental changes to the process of capital accumulation required and furthered by free-markets. Instead, social safety nets are an add-on activity for governments. They are separated from, and allow for, the continual liberalisation of the economy.

In addition the Indonesian office developed a new focus on ‘civil society’ as a major player in the evolution and maturation of democratic principles, good governance, and economic growth. NGOs were promoted as vital to the effectiveness of the development program:

The Bank’s Indonesia program made significant progress over the past five years in developing strong working relationships with our major development partners, including NGOs - both national and international - active in Indonesia. Many of these partnerships have strengthened during the crisis, and have helped us respond better to Indonesia’s changing needs. Since the crisis began we have held regular consultations with civil society and the NGO community to present our views and seek their comments and feedback. In view of the rapidly changing political and social landscape, we are in contact with various emerging political and civil society groups to communicate the position of the Bank as development institution for *all* Indonesians. We will continue to broaden our communications with civil society representatives as we further develop our program. (World Bank, 1999b: 20).

The “new” World Bank in Indonesia has created space within its agenda to consult with NGOs. The report demonstrates that the Bank wants to be perceived as an institution keen to invite dialogue and collaboration. The report also suggests that this strategy is not new, that it has been consulting NGOs over the

past five years and is keen to further that strategy. However I found scant evidence of any genuine collaboration prior to the crisis except for collaboration that had been mandated by Washington for all country missions. Indeed, upon my fieldwork visit I was surprised by the lack of a well-developed relationship between NGOs and the World Bank in Indonesia. Based on my reading of a plethora of World Bank documents emerging from Washington and Jakarta, I went to Jakarta under the impression that there would be something of a ‘partnership’ between NGOs and the World Bank. What I found was only small pockets where relationship building with NGOs seemed to be developing, and even then in a haphazard way. There was no overall strategic plan for engaging NGOs on the part of the World Bank, no regular forums for discussion and negotiation, and no joint initiatives formed. There were attempts by the World Bank to engage NGOs and to create sites for interaction, for example in the design and implementation of the Social Safety Net Adjustment Loan and in the preparation stages of the Country Assistance Strategy. However this is by no means a form of ‘partnership’ and hence I had to quickly re-adjust the research questions in order that they fit with the current state of affairs between NGOs and the World Bank. Thus it was necessary to shelve the concept of ‘partnership’ because it is clearly not applicable in the Indonesian context. Instead I discuss ‘interactions’ or ‘relations’ between the Bank and NGOs, and ‘engagement’ in dialogue.

The World Bank in Indonesia was indeed in crisis as the 20th century came to a close, and so it embarked upon some new strategies in order to restore its credibility and to re-gain influence in Indonesia. However:

So far the Bank's new openness has won few converts... After 30 years of lending more than \$30bn to the regime of Ex-president Suharto, the World Bank now faces an unusual spectacle of Indonesian protesters demanding it hold off on new lending. (Thoenes, 1999: 4).

Some of the reasons why the NGO sector remains 'unconverted' become evident as this chapter continues to unfold.

World Bank / NGO Dialogue

The following section examines the various perceptions on why the World Bank in Indonesia, in the post-Suharto era, changed its rhetoric and practice to one that invites NGO collaboration. From my research it is evident that NGOs and the World Bank each have different ideas about what motivated the changes. These differing perspectives impact upon, and are informed by, how each sector views itself and each other. This section then details the forums and strategies that the Bank has initiated for dialogue between it and NGOs and discusses their effectiveness.

▪ ***Why Things Changed at the Bank***

The interviews with NGO representatives demonstrate that the sector generally perceive the World Bank's attempts to engage them as a strategy designed to win back support for its program in Indonesia after the embarrassment of the

economic crisis. Most NGOs I spoke with accuse the Bank of not making any real commitment to NGOs and/or of using NGOs for the benefit of improving their own image. My interviews certainly found widespread support for the assertion that, “*some critics maintain that the World Bank’s changes are largely cosmetic*”, (Thoenes, 1999). According to many NGOs the Bank’s cosmetic changes aim to generate credibility for itself in the post-crisis era. Of the 14 advocacy NGO representatives interviewed all 14 supported this position, as did 2 of the 6 community development NGO representatives. One representative noted that the Bank staff had become less arrogant in their behaviour towards NGOs since the economic crisis of 1997/98 (NGO interviewee No. 13, 2000).

As a related point many of the NGOs representatives interviewed were of the opinion that the Bank had been forced to engage them as part of a strategy to gain the consent of an increasingly powerful civil society in Indonesia. They argue that the strategy of engagement comes to Indonesia, for the same reason it has come to occupy such prominence for the Bank in Washington, as a way of defusing political activism. NGOs claim that the Bank, in the relatively liberal post-Suharto era, is forced to respond to NGOs because they now have some political influence. The voice of civil society in Indonesia has come to occupy a significant amount of political space in the *reformasi* period. Within this space NGOs publicly demanded that the Bank listen to them and respond. It is for this reason, according to NGOs, that the Bank has changed its position towards them and is now eager to engage them in dialogue, ignoring them no longer makes political sense. Ten NGO representatives that I interviewed discussed this and nine supported this assertion. The one NGO that did not support this claim was a

community development NGO that firmly promotes collaboration and the use of inside-in strategies. However the other nine NGOs credited their own ‘outside-in’ strategies for forcing the Bank to take note of their concerns and critiques.

Additionally, NGO representatives with whom I spoke gave some credit for the increase in World Bank – NGO interactions to the changing directions of the World Bank ushered in under the leadership of James Wolfensohn since he became Director in 1995. One of the most significant changes has been the emphasis on promoting civil society in development, at least in rhetoric. The World Bank’s ‘*Comprehensive Development Framework*’ (possibly Wolfensohn’s most influential planning document to date), heralded the importance of civil society. In it Wolfensohn states:

In all its forms, civil society is probably the largest single factor in development. If not in its monetary contribution, then certainly in its human contribution and its experience and its history... It is by its nature somewhat disorganized, due to the diversity of groups involved, although individual projects and initiatives are often meritorious, effective and of very long standing. There is, however, little accountability with some non-governmental organizations. Certainly greater cooperation with governments, multilateral and bilateral agencies and the private sector would be beneficial to all... Depending on local political circumstances, civil society has a greater or lesser voice, but our experience is that by engaging civil society in projects and programs, better results are achieved both with design and implementation and usually greater effectiveness, including more local ownership. I think we all recognize more and more that local ownership is the key to success and project effectiveness. (Wolfensohn, 1999).

I have a few critical observations on this important statement by Wolfensohn.

In his assessment of civil society Wolfensohn argues that NGOs have little accountability, suggesting that greater cooperation with large international institutions would benefit them. The assumption is that large institutions and governments are more accountable than NGOs. In Suharto's Indonesia – as in many Third World regimes - this is a difficult position to support given the almost total absence of accountability to the populace from the regime and other large institutions including the World Bank itself. Indeed, the Bank's own track record on issues of accountability and transparency are extremely poor and hence it is not well positioned to be either judging or advising NGOs on this matter. As well, Wolfensohn's statement makes no mention of to whom an NGO should be accountable, and for what they should be accountable.

Wolfensohn sees civil society in a utilitarian way, for example in his view that “...by *engaging civil society in projects and programs, better results are achieved.*” NGOs and civil society groups are seen to be useful tools in the implementation of the Bank's development project²⁶. Therefore only those civil society groups and organisations that are of this type are useful to the Bank. Wolfensohn subtly excludes NGOs that do not pursue the same development agenda as the Bank.

26 This rationale resonates with the Bank's position on women in development that justifies a focus on women on the grounds that women produce improved economic growth and development outcomes (see Chapter 7).

As stated above, Wolfensohn visited Indonesia in 1996 and met with NGO representatives. He again visited in 1998 when Indonesia was in its economic crisis. Many of the NGO representatives with whom I spoke reported that they were initially encouraged by Wolfensohn's visits, believing the Bank had become genuine about listening to their concerns. However they soon found that Wolfensohn's enthusiasm for civil society was not matched by the staff of the Indonesian country office. This was made evident to the NGOs in the first post-visit period when the Indonesia country staff failed to conduct any follow-up forums with them. It was not until the crisis that these NGOs saw Wolfensohn's influence 'trickle down' to the Indonesia office staff. The loss of face and status caused by the crisis translated into a loss of leverage vis-à-vis Washington, and the Bank's Indonesia office was given little choice but to follow Wolfensohn's agenda. Generally, the NGO representatives in this study gave credit to Wolfensohn for influencing the post-crisis direction of the Indonesia office towards engagement with them. However, they perceived the Wolfensohn influence on the resident office as secondary to their own efforts to force the Bank to engage them. These NGOs (both advocacy and some community development), are convinced that it was the sector's constant advocacy work that finally, in the post-crisis environment, brought the World Bank in Indonesia to them.

The World Bank had a different understanding of its rationale for changing strategies in Indonesia. The Country Director in Indonesia (appointed after the crisis) reported that James Wolfensohn had – between 1995 and 1998 – become increasingly uncomfortable with the World Bank's relationship to the Suharto

government in Indonesia. In my interview with him, the Bank Country Director reported that Wolfensohn felt empathetic to the concerns of critics and in particular to the NGOs with whom he met on his visits to Indonesia. He reported that Wolfensohn felt the World Bank was on the wrong side in Indonesia and that it had not positioned itself right (Baird, 2000). However Washington's leverage over the Indonesian country office was weak until the crisis changed the balance.

Wolfensohn used his post-crisis leverage to change senior staff in Indonesia, putting in place a new Country Director whose thinking was far more in line with his own. The World Bank Country Director in Indonesia gave his impressions of Wolfensohn's attitude towards civil society in this quote from my interview with him:

With Wolfensohn there was an increase in working with civil society, I wouldn't say it was the start of the trend, I think it started a lot earlier, but the difference with Wolfensohn was that he really believed it. When he came to the Bank he spent his first months reading a lot of the civil society critiques of the Bank and he felt many of them to be on the mark; they were feelings that he shared. So he didn't come in with a cynical attitude towards civil society, he didn't see it as something that needed to be managed, he saw it as something you actually had to respond to. And he saw the way – and given you have to think of his agenda, the sort of agenda he was interested in particularly when you look at governance and anti-corruption etc. – he saw he needed civil society as a key ally. So the difference was that the message from the top became much more not just we have to do something with civil society but I really think this is important to the future of the institution, so it changed a lot in the Bank. I remember in the first months he had a lot of meetings between civil society and the Bank. He was pretty tough on some members of civil

society, particularly the sort of '50years is enough', he did not find that a useful basis for dialogue. But there are other aspects of civil society, particularly the environmental groups, that he felt a certain empathy with social groups. So he wanted to work with them. He wanted the institution to change so that it would also embrace that same approach. (Baird, 2000).

Like Wolfensohn's own statements, Mark Baird emphasised the utilitarian value of civil society both for the Bank in terms of its own future survival, and for the agenda that the Bank is pursuing under Wolfensohn. Baird also did something that Wolfensohn too has done in many of his statements; he divided civil society groups into those that are useful and those that are not useful. Citing the '50years is Enough' campaigners as not useful demonstrated an unwillingness to engage NGOs that are highly critical of the Bank.

In interviews with other Bank staff members there were more mixed responses regarding the factors that led to the Bank's change of direction in Indonesia. Most staff preferred to look to a combination of factors that worked together to bring about change. In explaining the Bank's closed door policy during the Suharto years senior World Bank staffers believed that the Bank was 'handcuffed' by the regime in terms of consulting NGOs, implying that the Bank would have consulted if it could have (World Bank staff member no.4, 2000). According to interviewees the Suharto regime simply did not tolerate or allow the Bank to entertain notions of engagement with NGOs. However, one senior staffer conceded that this was of little consequence because the World Bank itself was not open to such consultations. He was explicit in expressing a view that

resistance to NGO dialogue was in keeping with the internal character of the World Bank in Indonesia during the Suharto era. To quote:

All they [NGOs] had seen was the World Bank in Indonesia and the World Bank in Indonesia up until the fall of Suharto was the most unreconstructed, top-down, bureaucracy you can imagine. Partly because country units tend very much to take on the characteristics of the country their in. (World Bank staff member no. 1, 2001).

This staff member observed the way in which the World Bank came to mimic the Suharto regime, in this instance in relation to its objections to consulting NGOs. As well, the World Bank had issued its own memos warning staff to only engage with NGOs with the consent of governments and that the Bank's activities in client countries must be in keeping with that government's policies towards NGOs (Nelson, 1995: 130). Hence the Bank staff were constrained both by the internal character of the Indonesian Bank office that mimicked the Suharto regime, and by the institution's own internal policies.

World Bank staff also credited the new Country Director with leading the Bank in Indonesia to a focus on NGO engagement. Mark Baird was widely perceived as one who believed that civil society (in practice NGOs), was important to the development and democratisation process in Indonesia. It was not only his values that were perceived as more in keeping with Wolfensohn's agenda, but his manner too was seen as more open and inviting. Mark Baird was seen to be better equipped to dialogue with NGOs than the former Country Director - Dennis DeTray.

Pursuing relations between the World Bank and NGOs in Indonesia, this chapter now details the actual forums for the Bank's engagement of NGOs, laying out meetings and negotiations between the Bank and NGOs that have occurred since the crisis.

- ***The Strategies and Forums initiated by the World Bank for engaging NGOs***

The most significant forums and strategies initiated by the World Bank to increase dialogue with NGOs in Indonesia have occurred since the economic crisis and the ensuing collapse of the Suharto regime in 1998. This section gives an account of those forums and strategies. As becomes evident, World Bank staff became frustrated with the processes, primarily because they perceived their efforts to be lost on an NGO community that refuses to recognise any positive attributes of the World Bank.

Consultations regarding the Social Safety Net

I detail the contested issues between the World Bank and NGOs over the social safety net in some detail in Chapter 6, hence I will only briefly summarise some points here. According to those I interviewed (NGO representatives and World Bank staff), the Social Safety Net Adjustment Loan (SSNAL) became the focus for much dialogue between the two (relative to pre-crisis times). The first tranche of the Social Safety Net Adjustment Loan (SSNAL) from the World Bank to the Indonesian government was negotiated over 1997. The total loan approval was US \$600 million, to be dispersed in two equal sums (World Bank, 1999e). The

World Bank team leader sought NGO input into the process of negotiating the social safety net programs. However, according to NGO interviewees, the process for engaging with NGOs was unplanned, unstructured and haphazard at best. Most discussions were held in Jakarta with high profile NGO representatives attending informal or quickly arranged meetings, and tended to exclude many NGOs that may have liked to participate. The Bank did not formulate a framework within which a process for consultation could be developed, consequently the dialogues lacked intensity and structure. For this reason, and for reasons of safety net program design and resultant corruption, the implementation of the first phase of the program was widely criticised by the NGO sector.

In response to criticism, according to many NGO and World Bank staff interviewed, the World Bank stepped up its efforts and sought to demonstrate to some NGOs how their input was structured into the loan agreement. This, in turn, further opened the dialogue between the NGO sector and the World Bank regarding the SSN and the release of the second tranche of the loan. Among the Bank's strategies to engage NGOs were: site visits by staff to investigate allegations of program corruption; initiation of meetings to table NGO concerns; formal requests for reports from NGOs on specific instances of misuse of funds; and informal discussions between leading NGO representatives and the World Bank SSN project staff.

It was widely reported by Bank staff interviewed that the input from NGOs influenced the conditionality for the loan. By way of example, Bank staff claimed that the 2nd tranche of SSN money had been delayed because the World Bank had

become convinced that many of the concerns raised by the NGO sector regarding some of the programs had validity. As it happened the 2nd tranche was cancelled in February 2001. As well, Bank staff frequently cited the SSN as an example of NGOs choosing to ignore the efforts of Bank staff in bringing about positive changes and responding to their concerns. They believed that the NGO sector had ‘*won many victories*’ (World Bank staff no. 2, 2000) in relation to the SSNAL conditionality, including compelling the Government of Indonesia to include NGOs in the monitoring of the program. However, the NGO sector did not credit the World Bank for having influenced the government in ways NGOs had often requested. This was clearly a source of frustration to Bank staff. Another example was presented by the World Bank Country Director, he stated that the office was now questioning many of its contracts with the government in direct response to NGO critiques. Moreover, he felt that this response should bring the Bank greater credibility in the eyes of the NGO sector (Baird, 2000). However, many in the NGO sector remain sceptical. Rita Serene Kolibonso, Director of *Mitra Perempuan* (a women’s rights NGO), states simply that:

Their consultations with us are only to legitimate their agreement with the government. (Cited in Thoenes, 1999: 4).

Country Assistance Strategy Consultation Process

Like the SSNAL, the Country Assistance Strategy (CAS) consultations were a highly charged issue between the World Bank and NGOs, (this issue is dealt with in greater detail in chapter 6). For each country that the World Bank loans money it develops and publishes a Country Assistance Strategy (CAS). The CAS details

the Bank's objectives, strategies, and expected loans over the following three years in a given country. In Indonesia, the process of developing the Country Assistance Strategy was employed by the new Country Director as an opportunity to promote consultation with civil society. NGOs had never before been consulted regarding this important strategic planning document. The CAS was published at the beginning of 2001 and included as an appendix the report on the consultations with civil society. The consultations that took place with civil society groups throughout 2000 became increasingly focussed on NGOs. They were granted the crucial and powerful role of compiling and producing the final recommendations to the World Bank. The CAS consultation process represents the most planned and coordinated attempt by the World Bank to engage NGOs in Indonesia.

The CAS consultation process consisted of one National Round-table discussion; over 30 in-depth interviews with civil society organisation representatives across five cities and totalling 38 interviews; four seminars held in four different regions and including representatives from 384 civil society organisations; and five focus group discussions - one held in each of the five cities – with a total of 113 civil society organisations²⁷. The final CAS document claims that over 400 NGO representatives were consulted in its preparation.

This research found that many NGO representatives from Jakarta, after initial eagerness, became dis-interested in the entire consultation process, leading them

to refuse to attend the later ones. Indeed, of the twenty NGO representatives interviewed, fourteen said they found the consultation process to be a waste of time and ineffective, (one NGO representative was undecided, and three did not mention the issue). The CAS consultation process was to become poorly attended by the Jakarta based NGO representatives I interviewed who, when they did attend, used the meetings as a forum to express their anger at the World Bank on a number of different issues.

Yet the CAS consultation process was widely reported, in both my interviews with World Bank staff and in the Bank's publicity material, as evidence of the Bank's readiness and willingness to listen to the NGO sector and its concerns (World Bank 2001f). Official Bank documentation celebrates the process, the CAS media release quotes the Country Director as saying:

The new Country Assistance Strategy was prepared with extensive public, private and civil society consultations. We have tried to reflect many of the concerns expressed by Indonesians in our program for the next three years. (Baird, 2001).

The process of engaging civil society in the design of the CAS was a departure from the Bank's usual practice of consultation with the Government of Indonesia only. According to Bank interviewees, the World Bank office had to apply pressure to the Indonesian government to have the CAS civil society consultation report included in the final document and made public. These staff claimed that

27 One NGO representative may have attended up to four of these consultations (ie. one interview, one focus group discussion, one seminar, and the National Round-table).

they took this action in direct response to the expressed concerns of NGOs involved in the consultation regarding their impact. Five of the six World Bank staff members I interviewed regarded the CAS consultations as a significant contribution to World Bank engagement with NGOs. However, two interviewees noted that the consultation outcomes were unlikely to impact upon the final CAS report and Bank strategies (World Bank staff member no. 5, 2000; World Bank staff no. 2, 2000). The picture of success put forward by the World Bank in its rhetoric stands in contrast to the picture presented by most NGO representatives, and even some World Bank staff interviewed. Such is the gap between World Bank rhetoric and reality in Indonesia.

The Consultative Group for Indonesia

The Consultative Group for Indonesia (CGI) meets each year to plan the financial commitments and program objectives of the international donor community to Indonesia. It is made up of 30 bilateral and multilateral donors. Each CGI member makes pledges based upon the outcome of the CGI meeting, the World Bank is its chair. The CGI had its ninth annual meeting in February 2000. For the first time a number of NGO representatives were permitted to join the deliberations as observers. In 2000 a second CGI meeting took place in October²⁸, INFID – a coalition of more than 100 NGOs including community development and political advocacy NGOs²⁹, and an outspoken critic of the

28 Two CGI meetings were held in the year 2000 because the members had decided that it would be more beneficial to the government of Indonesia to hold the meeting in October rather than in February. In this way information regarding the financial pledges of donors could be made available to the government of Indonesia so that it can be taken into account in budget preparations.

29 Approx. 50 NGOs from Indonesia and approx. 60 NGOs from 11 different member countries of the CGI.

Suharto regime and the World Bank, were invited to speak on behalf of their members. INFID greeted the invitation enthusiastically, having lobbied for the CGI members to take greater note of its concerns. Both advocacy and community development NGOs have been keen to communicate with and influence the CGI members because the CGI (which the World Bank chairs), brings together the most influential international players in Indonesia's political and economic landscape. The World Bank is chair of the CGI and the Country Director, in my interview with him, was keen to promote his role in obtaining permission for NGOs to become more visible in the annual CGI meeting (Baird, 2000). This was put forward as an example of the Bank's willingness to help promote the NGO sector and further develop the Bank's relationship with them.

NGO enthusiasm for their inclusion on the CGI agenda was short-lived. Nine NGO representatives discussed the CGI invitation and consultations with me in interviews, all nine stated reservations regarding the process and the CGI's willingness to take account of NGO concerns. Events that have unfolded since these interviews demonstrate that this resentment towards the CGI deepened. At the meeting of April 2001 a coalition of NGOs sent a statement to the CGI saying:

First of all, we would like to thank you for inviting us, the NGOs to attend the interim CGI meeting. We appreciate the willingness of the Government of Indonesia and other CGI country members to engage us at this important event. Regretfully we have to inform you that we cannot fully take part in the meeting.... We strongly believe that unless CGI really proves itself as a consortium based on equal partnership the indicator of which include the abolition of double standard,

recommendations that will benefit Indonesian people and start addressing the issues of debt relief, CGI will not be a solution to Indonesia's economic problem, rather it will remain part of the problem... Until such a measure is taken, we believe that the significance of CGI is questionable and dissolution of the CGI is therefore recommended. (Joint NGO coalition, 2001).

This letter demonstrated the demise of the relationship between the CGI and NGOs at least for the foreseeable future. The CGI, in granting only 5 minutes in total to NGOs, demonstrated a lack of concern and interest in the voices of NGOs as represented by INFID. The World Bank, having urged the CGI to allow NGOs to speak at the forum, needed to ensure they were not setting NGOs up for failure. A perusal of the CGI papers demonstrates that the presence and voice of NGOs at the CGI clearly did not make any impact on the members and did not influence the outcome with many decisions having been made well in advance of the actual forum (World Bank, 2000b). The Bank did not understand the difference between granting NGOs time on the agenda, and putting NGO concerns on the agenda. NGOs clearly did make the distinction. The outcome further damaged the tenuous relationship between NGOs and the World Bank, it confirmed for NGOs the Bank's lack of willingness to seriously dialogue its concerns, and it confirmed for Bank staff the immaturity of Indonesian NGOs in expecting their concerns to be immediately dealt with by the CGI.

Public Information Availability

World Bank staff in Indonesia were of the opinion that the Bank had been very responsive to NGO calls for increased transparency, making available a number of previously confidential documents including the Statement of Intent

(contractual agreements for loan dispersal) and the Country Assistance Strategy. It also established a Public Information Centre in Jakarta where the public can request access to other documents. The move was one initiated by Wolfensohn in 1993 and included the expansion of number and types of documents that are made available to the public. Since then the Bank's disclosure policy has been upgraded numerous times to include an increasing number and range of documents to be made publicly available. Bank staff interviewed tended to promote themselves as the initiators of the Bank's increasing openness and to use this to evidence their responsiveness to the NGO sector. However, it was not the Indonesia office that was driving these information initiatives, it was Washington policy development (Thoenes, 1999).

It was frustrating to Bank staff to see their willingness to respond to NGOs either ignored or criticised by many NGO advocacy groups. NGOs, one staff member noted, had been vocally critical of the Bank for operating "secretly" but is noticeably silent in endorsing the Bank's evolving openness (World Bank staff member no.3, 2001). In a report authored by the NGO liaison officer at the World Bank in Indonesia he noted that:

A great deal is being done in terms of public outreach both electronically, in print, through the Public Information Centre and in public discourse. This is being acknowledged – at times grudgingly – by Civil Society. (McCarthy, 2000a).

Additional frustration was expressed by Bank staff in reporting their efforts to put pressure on the Government of Indonesia to also increase public access to

information in response to calls from NGOs for it to do so. Once again, although Bank staff claimed that this was done solely in response to requests from the Indonesian NGOs, a Washington led influence is also visible. Increasingly in the last decade, and particularly since the Asian crisis, the Bank has adopted a focus on anti-corruption and good governance, encouraging country missions to use their leverage to insist that governments become more accountable, open and transparent in their dealings³⁰.

Indonesia's country office has had additional pressure to promote 'good governance' and 'anti-corruption' after a leaked memo in 1997 caused the Bank in Indonesia untold embarrassment. In the memo a senior Bank staff member estimated that at least 20% - 30% of Bank loans were corrupted by the government of Indonesia (Winters, 2000: 16). At the time of interviews it was clear that the Bank staff remain extremely defensiveness about the claims:

I have never in my life seen a figure [*the 30% figure mentioned in the leaked memo*] take on a life of its own like this. The World Bank gets fed up with it.
(World Bank staff member no.3, 2001).

The embarrassment and humiliation led the Bank in Indonesia to play a very public role in promoting good governance in Indonesia which it did primarily

30 For example, since 1996 the World Bank has supported more than 600 anti-corruption programs and governance initiatives in its member countries (World Bank 2002d). It does so in the name of its neo-liberal development agenda. For example the Bank claims: "Corruption as the single greatest obstacle to economic and social development. It undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends". (World Bank 2002d).

through its role in establishing and helping to finance the *Partnership for Governance Reform* project³¹. In taking up the problems of corruption and governance in Indonesia the influence of Indonesia's NGOs on the Bank was minor compared to the influence of Washington head quarters, US Congress and other interests, and the media.

Improving State-NGO Relations

All of the World Bank staff interviewed stated that the “real” issue is not World Bank-NGO relations but rather State-NGO relations in Indonesia. To this end Bank staff claimed that they had employed their leverage in loan negotiations to compel the government of Indonesia to be more inclusive of NGOs. Bank staff saw this as an attempt to promote Indonesian democracy, to reduce corruption through transparency, and to improve program outcomes. World Bank staff believed that their own relations with NGOs would also be improved by facilitating the development of State-NGO relations but expressed fear that these attempts backfired because government officials often undermined them. This admission of the ways leverage is used illustrates the Bank's tendency to manipulate the political landscape in favour of their neo-liberal vision for NGOs in Indonesia.

31 This is a joint World Bank, Asia Development Bank, and United Nations Development Program (UNDP) initiative that promotes and funds ‘governance’ programs across Indonesia, including in the areas of civil society, law reform, electoral and parliamentary reform.

New Staff Making Space and Opening Dialogue

Since the economic crisis of 1997/98 irregular and occasional meetings have taken place between NGOs and some staff at the World Bank, most notably the NGO liaison officer (a position created only in 1997) and the Country Director. There were also some World Bank staff in key positions negotiating the SSNAL who had contacts with the NGO sector. These staff members had on-going contact with both community development NGOs and advocacy NGOs, visiting their offices and holding meetings with them to dialogue a variety of issues. Some NGO representatives commented upon the inappropriateness of the World Bank country office location, isolated from the general community in the Indonesian stock exchange building. Not only is this building one of the most expensive office suites in all of Indonesia, it symbolises the World Bank's allegiance to the free market. Hence, site visits by World Bank staff generated a degree of goodwill, demonstrating that they were not fortress-ed in their 'ivory tower'.

As noted previously, Wolfensohn used the crisis to change staff in Indonesia. He appointed senior staff who were sympathetic to his broader development agenda and staff that could negotiate with NGOs. The Country Director, the NGO liaison officer, and the Social Safety Net team leader were all appointed in the post-crisis era. All are white Anglo men (one New Zealander, one Canadian, and one American). Indeed, of the six senior staff members I interviewed only one was an Indonesian national, the rest were all from the richer countries of the First World and the West. The cultural and gender biases of these appointments notwithstanding, the NGO representatives I interviewed were generally

encouraged by the appointment of staff that openly invited them to dialogue. Of the 12 NGO representatives interviewed who discussed this, 11 reported having experienced more constructive dialogues with World Bank staff members in the post-crisis era. NGO representatives felt encouraged that they could build cordial relations with some staff members of the World Bank - even if they could not say they had good relations with the World Bank as an institution. I look more closely at two of these appointments below.

Immediately following the economic crisis in 1997 the World Bank employed an NGO liaison officer to work more closely with the NGO sector – particularly in Jakarta. The appointment, according to the NGO liaison officer, was in response to the growing NGO criticism regarding the Bank's development agenda and place in Indonesia's political and economic landscape (McCarthy, 2000b). The NGO liaison officer reported in interview that he had spent a great deal of time not only with NGO representatives but also with World Bank staff in an attempt to generate greater understanding amongst staff of the importance of the NGO sector to development and to Indonesia's reform process. Further, the NGO liaison officer had a role in assisting Bank staff to understand the position and arguments put forward by the NGO sector regarding a wide range of issues, this is evidenced by a number of internal memos (McCarthy, 1999a; McCarthy, 1999b; McCarthy, 2000a). As a consequence of this appointment World Bank staff received on-going information and analysis regarding the NGO sector and had a resource to draw upon when contemplating engaging with NGOs.

The positive results fostered by the NGO liaison officer in furthering Bank-NGO relations are experienced across numerous World Bank country missions. A 1998 report produced by the Social Development Unit at the World Bank found that NGO liaison officers played a key role in organising ‘more participatory’ Country Assistance Strategies (Clark & Dorschel, 1998). However this same report also found that a key element to successful CAS consultations was a history of on-going relations between the Bank country mission and NGOs, this had certainly not been the case in Indonesia.

A second vital appointment to facilitating the development of interactions between the World Bank and NGOs had been that of Mark Baird as the Country Director in April 1999, Wolfensohn described him as “*one of our best managerial and intellectual talents*” (cited in Thoenes, 1999). Whereas the former Country Director had almost no interaction with the NGO sector, Mark Baird was perceived by four of five Bank staff that discussed him as keen to encourage dialogue with NGOs:

For Mr Baird, however, high-flying involves a lot of down-to-earth diplomacy. Where his predecessors as Country Director in Indonesia were seen more often in the palace of former President Suharto, Mr Baird is shown on television meeting opposition leaders and non-governmental organisations (NGOs). (Thoenes, 1999: 4).

In my interview with him Mark Baird promoted his desire to encourage increasing constructive engagement with NGOs (Baird, 2000). The new Country Director was credited with strongly encouraging task managers to hold

consultations with NGOs, as one staff member said: “*we don’t easily get away with paying lip service to NGOs*”, (World Bank staff member no.3, 2001). However, the Country Director’s rhetoric in encouraging engagement does not automatically translate into outcomes in regard to engaging NGOs or taking on board their concerns. The question still remains as to whether well-intentioned individual Bank staff can impact upon the institution as a whole. Paul Nelson in his more global study on Bank-NGO relations found that:

Political-economic commitments and interests and deep-seated organisational characteristics affect the World Bank’s capacity to cooperate systematically and responsively with NGOs, notwithstanding the intentions of individuals... Policymakers, NGOs and supportive World Bank staff need to understand the limitations clearly, or they will find themselves engaged in a process that undercuts the potential significance of NGOs without fundamentally altering the Bank’s impact. (Nelson, 1995: 4).

The new staff in Indonesia, even the Country Director, are extremely limited in their ability to affect fundamental change at the Bank. Their eagerness to try and promote engagement on these hollow grounds threatens to de-politicise NGOs by moving them away from somewhat effective ‘outside-in’ strategies and towards ineffectual engagement.

- ***Staff Resistances and Capacity for Engaging NGOs***

In some cases during my interviews with World Bank staff I noticed that the interviewee was not wholly convinced by the rhetoric emerging from Washington

(and from the new staff in Indonesia), regarding the important role of NGOs to the development agenda, even though they felt compelled to support it. This is best revealed in the statements that many Bank staff made regarding the practice of consulting NGOs. Whilst at once discussing the utilitarian aspect of engaging NGOs, there was a strong tendency to immediately argue the case against engaging NGOs by explaining that NGOs are unaccountable or do not have grassroots support (World Bank staff member no.4, 2000). This type of response reveals that staff harbour reservations about the Bank's strategic direction. Interestingly, none of the interviewees owned their concerns, preferring to refer to other people within the institution who do not agree with the new direction. All six staff members interviewed claimed that others within the Bank do not share the enthusiasm of the Country Director or Wolfensohn for the contemporary environment and direction within the Bank and hence found constructive dialogue difficult, so much so that some actively undermined the strategy.

One possible reason to explain the resistances from Bank staff to engaging NGOs is in reference to the power balance between economists and social scientists within the World Bank in Indonesia – and globally. Whilst at times the balance between economists and social scientists shifts, the neo-liberal economic doctrine remains dominant in Bank operations (Kapur, Lewis & Webb, 1997). The more recent shift in influence away from economists can be attributed to the declining legitimacy of the Washington consensus throughout the 1990s. The post-Washington consensus that is emerging is far less prescriptive and, whilst still guided by neo-liberal principles, takes account of the role of institutions of governance and civil society in fostering economic growth and poverty

alleviation (Fine, Lapavitsas, Pincus, 2000). These arenas have been, more so than economists, the domain of social scientists, hence their influence at the Bank has risen, particularly as a consequence of the appeal of the post-Washington consensus to Wolfensohn. The post-Washington consensus and the resultant space granted to social scientists have influenced the positioning of Bank staff towards NGOs. The Washington consensus and its economists tended to define the development agenda in purely economic-technical terms, and imagined economics as a science that requires no negotiation, for example with NGOs (Nelson, 1995). But, as Fine, Lapavitsas and Pincus point out and then warn:

Social science seems to have awakened to the realisation that development is a process of profound social transformation. To analyse such social transformation political economy is necessary, rather than plain economics. (2000:xiii).

One of the most disturbing features of the new consensus is that, although it attempts to broaden the theoretical agenda of development economics, it does so within the same narrow, reductionist framework of its neo-liberal predecessor. The result is therefore not a more heterodox economics, but rather a more aggressive *neo-classical* economics that now possesses the self-confidence (if not the analytical tools) to take its colonising mission to the other social sciences. (Fine, Lapavitsas, Pincus, 2000: xv).

This thesis too argues that the more recent discovery of NGOs has largely been driven by the Bank's desire to draw them into, or 'colonise' them into, its development agenda.

At the World Bank in the eighties there was little space for social scientists as the influence of economists saturated Bank operations through structural adjustment lending. In the face of sustained criticism of structural adjustment and, more broadly, purist neo-liberal economic planning, James Wolfensohn sought to re-orient the Bank (at least in rhetoric) towards broader social issues (as discussed in Chapter 2) and hence in the direction of social scientists. In Indonesia, although at the time of the 1997/98 crisis economists rose to a short-lived dominance, the shift towards social scientists and Wolfensohn's post-Washington consensus, gained momentum in the post-crisis era. The World Bank Country Director in Indonesia described the broad groupings of staff in relation to their positioning towards NGOs in this way: Indonesian nationals (who are overwhelming employed in lower positions) accept and want to work with NGOs. Expatriates (who are overwhelming drawn from the richer countries of the First world and from the West) make up two groups: the social scientists who welcome NGOs and the group who fear them. This latter group wants to manage NGOs; they are mainly but not exclusively economists. He himself signalled his intention to employ more social scientists as task managers, and hence allow the institution to be more influenced by them (Baird M 2000).

According to the World Bank staff who I interviewed, economists are generally less inclined to engage with NGOs because they see development in a narrowly constructed economic framework and readily embrace the myth that economics is apolitical. Social scientists, they felt, structure in a range of approaches to development that economists leave out. They are credited with incorporating within their work, and the Bank generally, a stronger focus on poverty

alleviation, gender matters, social safety nets and other social services, and with encouraging the Bank's collaborative work with NGOs. Staff said that World Bank social scientists tend to understand development not only as economic equations, but also with more cultural and political complexity. From my discussions with staff it appeared that social scientists at the Bank in Indonesia had readily embraced the political agenda of neo-liberalism, advocating for programs that push forward liberal democratic reforms and encourage a thriving (liberal) civil society. According to Bank staff, resistance emerges predominantly from the economists who had created an atmosphere within the Bank office that quietly opposes NGO engagement.

Another source of resistance is derived from staff's own lack of capacity for engaging NGOs. In interviews 4 of the 6 staff reported that there were many amongst them who did not have the experience and skills necessary to consult with and negotiate with NGOs. In the Wolfensohn era Bank staff had been expected to take on new roles in line with the Bank's expansion into a broad array of areas including consultation with NGOs. The requirement to consult with NGOs is in addition to the expanded roles and responsibilities of Bank staff in the new era. These expectations include ensuring their projects are sustainable, that they promote gender equality, that they address poverty and build social capital, etcetera (Caufield, 1996; Fox & Brown, 1998). The expanding number of roles expected of World Bank staff around the globe is apparently causing them a great deal of anxiety. This became evident in leaked memos from World Bank staff to their superiors obtained by *The Bretton Woods Project* who reported on them in

an article of February 2001 titled “*Overstretched and underloved: World Bank faces strategy decisions*” (Wilks, 2001).

World Bank staff expertise lies in negotiating internally and with government technocrats only. This work has a long established history of protocols, standards and practices, all players know the boundaries and limitations and are happy to work within them. However consulting with NGOs introduces new roles, practices, and boundaries and is uncharted territory. Many Bank staff are neither comfortable with the new territory nor possess the skills to negotiate it. In feeling over-stretched and angry there is a danger that the staff further distance themselves from the NGO sector and further undermine efforts to engage NGOs, in so doing they initiate a self-fulfilling prophecy. It is precisely these negative responses and resistances from Bank staff that are readily identified by NGOs, thus fuelling negative NGO sentiment toward the Bank and giving credence to their belief that the World Bank staff only pay lip service to NGO concerns. This, in turn angers Bank staff who respond with thinly veiled resistance and anger, hence the cycle continues.

Lack of capacity aside, it was also reported that some task managers simply found the exercise too frustrating and inefficient in terms of gaining loan approvals. In his internal report entitled ‘*Terms of Non-Endearment: Why the World Bank and Indonesian Civil Society will never see Eye-to-Eye*’ the NGO liaison officer within the World Bank observes the frustration:

Many a disgruntled World Bank staffer is ready to throw in the towel following a frustrating meeting with Civil Society advocates who appear unwilling to consider the Bank's perspective. (McCarthy, 2000a).

As a consequence task managers would often only pay lip service to consultation rather than integrate the notion into their strategy for loan development. In the same paper the NGO liaison officer summarises this tendency:

Civil Society input during the conceptual and design phases tends to be limited to one-off information sessions, masquerading as "consultations"... both the optics and the content of the Bank's typical project consultation process means that many of them are little more than pro forma validation exercises. (McCarthy, 2000a).

Adding to the frustration of Bank staff was the experience of having had contact with some NGO leaders who privately gave them positive feedback for particular efforts but refused to do so publicly. Indeed the Country Director, Mark Baird, gave a number of examples of NGO leaders having quietly praised him and his staff for their efforts but denying the World Bank any positive acknowledgments publicly. He rationalised this as fear on the part of NGO leaders, fear of being seen to be coopted or undermining their 'outside-in' strategy (Baird, 2000). Other staff who I interviewed also had examples of this experience. They expressed concern that many of their colleagues were left feeling that they could not win with the NGO community. However these same staff also reported that they believed they needed to be patient (with the NGO community) in this time of political transition. They felt that the NGO community needed time to mature and that this will lead many to engage in constructive dialogue with the World Bank.

Here again Bank staff revealed their belief in the one-directional evolving role of NGOs in Indonesia, constructed within a neo-liberal vision. If World Bank staff had not analysed the basis to the NGO positions correctly (ie. if NGO critiques are not born of their immaturity and an unrealistic fear of cooption), then they are likely to be disappointed when NGOs do not ‘develop’ in the direction of engagement and dialogue.

Staff resistances have clearly made it difficult for the World Bank to undertake serious consultation and productive interaction with the NGO community in spite of the more positive impact of the new staff and the changes they have been implementing. This mirrors the global NGO critiques on the World Bank’s attempts to draw them into a dialogue that are replete with examples of the belief that the Bank as an institution only pays lip service to the consultation process (as described in Chapter 2).

- ***Some talking but is anybody listening?***

The first conclusion to draw regarding the principal forums and strategies for dialogue between the World Bank and NGOs, and in consideration of staff resistances and capacity, is that the World Bank controlled the process of engagement. The World Bank initiated the meetings, established the agenda, and managed the discussion parameters. Dialogue had not been initiated or directed by NGOs and had not been designed to meet their objectives. It was the World Bank that set the agenda for formal discussion with NGOs and hence it was the Bank’s agenda that was being addressed. According to the NGO representatives I

interviewed they often sent the World Bank copies of statements, reports, media releases and the like, but they rarely received a response. For example, all of the reports from local NGOs on the Community Based Monitoring of the Social Safety Net were sent to the World Bank (as reported by both the NGO that actually posted them and the World Bank Country Director), but the Bank responded to none of them.

Of the twenty NGO representatives interviewed seventeen expressed dissatisfaction with the experience of consultation or engagement. This left a powerful perception among most NGOs that the World Bank was not inclined to change its plans and decisions as a consequence of its dialogues with them, and that consultation occurred only after important decisions about projects had already been made. This finding, that NGO input is minor and relatively insignificant, is supported by Paul Nelson's 1995 study. He found that of the 304 projects that the Bank cited as involving NGOs internationally between 1973 and 1990, 75% of this involvement constituted implementation of a component of a larger project (Nelson, 1995: 67). Some advocacy NGOs had withdrawn from dialogue because of their negative experiences of it thus far, arguing that the World Bank was more concerned with being *seen* to be consulting with NGOs rather than actually taking a genuine interest in hearing the opinions and experiences of NGOs.

For example, from my research; many advocacy NGO representatives claimed that at the CAS consultations they raised issues that are central to NGO concerns such as the Social Safety Net, Indonesia's high debt burden, World Bank

complicity in corruption under the former Suharto government, and the transmigration and Kedung Ombo Dam projects. These NGOs claimed the World Bank representatives at the consultations would not engage in a dialogue on any of these matters. Indeed, this is supported by the Bank staff whom I interviewed who were annoyed that NGOs would bring these issues to the table. The positive promotion of this consultation process by the World Bank in its public relations further damaged the reputation of the World Bank in the eyes of NGOs.

A second example comes from the experience of NGOs in relation to the Social Safety Net (SSN) programs. The UCP (Urban Consortium for the Poor) is an NGO that works with the urban poor in Jakarta. The UCP had been involved in a number of high profile anti-Social Safety Net activities including a much publicised investigation that exposed corruption of SSN funds and their use in election campaigns (see Chapter 6 for more detail). The UCP representative I interviewed reported regularly furnishing the World Bank with data and examples of corruption and poor program design in the SSN projects. The UCP also collected 10,000 signatures from the recipients of SSN funds to request that some of the projects be cancelled. In response to the negative publicity the issue was generating the Bank sent a team of four, including the World Bank Country Director Mark Baird, to the UCP in Jakarta to investigate the problems with the SSN. The UCP presented the team with further information and data concerning the SSN projects and also took the team on site visits. At the site visits the Bank team had the opportunity to discuss the SSN with targeted recipients and their communities and also with labour groups (NGO interviewee No. 2, 2001).

The UCP representative reported feeling frustrated and disappointed at the outcome of the site visits because in spite of all the evidence presented to the World Bank it did not cancel the second tranche of the SSNAL³². The UCP representative concluded that the World Bank had no intention of opening ‘real’ dialogue with NGOs or communities and consequently refused to attend the CAS consultations or engage with the World Bank on other issues even though the World Bank had made numerous offers. The conclusion: that the World Bank is not really listening to NGO views and agendas, it only wishes to be seen to be listening.

The second conclusion to draw regarding the forums and strategies for dialogue between the Bank and NGOs in Indonesia is that they each had very different expectations of the outcomes of these forums. The World Bank staff clearly believed that the very fact that they were now dialoguing with NGOs was credit worthy. A number of staff interviewed pointed out that the Bank is not mandated or obliged to work with any organisation except the government of a country, and hence in dialoguing with NGOs the Bank was extending itself. The expectation of Bank staff regarding the outcomes of such dialogues was to provide space for NGOs to voice their opinions on Bank programs, but not necessarily to allow this to impact significantly on their agenda, and to assist NGOs in building their

32 The Social Safety Net Adjustment Loan was signed on May 28th 1999, the first tranche of \$300million for the SSN was dispersed on Jan 28th 2000. The second tranche was to be dispersed for FY 2000 however, after many extensions, the second tranche was eventually cancelled because the Government of Indonesia (GOI) was not able to meet the second tranche conditions by the deadline.

capacity in Indonesia.

From my interviews it is evident that community development NGOs appreciated the open stance that the Bank took towards them and were keen to take the opportunities the Bank provided to discuss development programming. However it was also evident that community development NGOs expect more in terms of participation in program planning than the Bank had granted. The advocacy NGO representatives I interviewed took a very different position. They were generally dismayed at the lack of space the Bank had granted them, even though it was considerably more than in the pre-crisis environment. They were equally dismayed that the Bank expected NGOs to only discuss those issues that it determined are dialogue worthy, for example the technical side of development planning and NGOs role in monitoring corruption. These advocacy NGOs were concerned with the Bank's past complicity in corruption, their role in financing authoritarianism and the repression that sustains it, their part in the Kedung Ombo Dam and transmigration programs, the impending debt crisis, and the failings of the social safety net. World Bank staff members responded to such charges by urging NGOs to focus on the future and leave the past behind. Advocacy NGO representatives were visibly angered by the limitations the Bank had placed around its dialogue agenda, charging them with ignoring NGO voices. Their frustration boiled over during dialogue forums such as the CAS consultations where many advocacy NGO representatives walked out in disgust.

Advocacy NGOs and the World Bank came to the dialogue table with vastly differing ideas on what the agenda for dialogue should be, and what dialogue

might achieve. This gulf between the advocacy NGOs expectations and the World Bank's expectations left each feeling angered and frustrated, thwarting future attempts at dialogue. Dialogue forums were destined to failure in a climate where the participants come with different agendas and expectations. If there was no consensus on the dialogue agenda then there was no rationale to engagement, except perhaps to use them as an attempt win over at least some NGOs with the rhetoric of partnership.

▪ ***“But the Bank is a Bank”***

Deeply-rooted organisational characteristics reflect the Bank's mandate and the interests of its powerful members and of financial markets. (Nelson, 1995: 2).

The impact that NGOs can have on the World Bank through dialogue is limited not only by Bank staff resistances and capacity but also by the Bank's institutional mandate. Thus dialogues had little meaning in terms of addressing the agenda of many NGOs in Indonesia. The Bank's rhetoric regarding its willingness to work more collaboratively with NGOs does not translate into a willingness or ability to be changed or transformed by that process. The impenetrability of the Bank's institutional mandate, interpreted by the Bank through neo-liberal lenses, remains fixed in their relations with NGOs.

I was reminded of the Bank's institutional boundaries and mandates by five of the six Bank staff I interviewed, who were also frustrated that NGOs did not seem to understand these boundaries. The Bank's more recent foray into a broad array of

development issues, and its new strategies to work together with NGOs, do not sit easily within its own ideological framework. This is because that framework and the interests it serves establish the agenda, and these cannot be negotiated away with NGOs. Moreover, the neo-liberal economic agenda prescribes policies that have often resulted in harm to people in poverty (see Chapter 2), and reinforce gender injustice (see Chapter 7), hence rhetoric that commits the Bank to do otherwise is shallow. Muhammad Yunus points out this problem:

...the theoretical framework within which the World Bank operates does not assign any urgency or primacy to poverty reduction. As a consequence, its pronouncements about poverty reduction get translated only through humanitarian add-ons, such as safety net programs. (Yunus, 1994: iv).

All six of the staff interviewed argued that the bottom line is “the Bank is a bank”, not a development agency or poverty reduction agency or grant making body, and so forth. The Bank is, at the end of the day, a bank.

The issue goes directly to the question of how NGOs can influence Bank policy and practice if fundamentally its development agenda and banking objectives take primacy over all others. The staff I interviewed were unambiguous; the Bank’s ‘bottom-line’ and all that it embraces is non-negotiable. Thus what is left for negotiation with NGOs? It is only the negotiable terrain of technical matters associated with project design and implementation where dialogue can impact upon Bank practice. The particulars of projects will not affect the ‘bottom-line’ and hence they are not outside of the authority of task managers to negotiate.

There were certainly many NGOs in Indonesia that wanted to engage with the Bank on these technical issues; they were predominantly community development NGOs. Advocacy NGOs, on the other hand, were extremely dissatisfied with the terms of engagement in Indonesia and sought to challenge the bottom-line. As much as Bank staff were encouraged to engage these NGOs the dialogue framework is restricted to topics that advocacy NGOs were not satisfied with. Hence dialogue was a continuing source of frustration for advocacy NGO representatives and Bank staff.

Bank staff were concerned that NGOs did not understand the basic premise that “the Bank is a bank”, arguing that NGOs lacked understanding regarding World Bank operations, its institutional processes, and fundamentals of economics. Such sentiment fuels Bank staff belief that NGOs were immature and lacking capacity. Yet it is the Bank’s own capacity for engaging NGOs that may be a fundamental barrier here. If the Bank is not positioned to respond to the critical concerns of NGOs on a whole range of policy, economic management, and institutional matters, then its capacity for meaningful engagement is limited. The technical and relatively narrow concerns of Bank project designs – that are at their outset grounded in Bank policies, mandates, and economic fundamentals – become the only basis for dialogue.

Bank staff are entrenched in, and also reinforce, the Bank’s institutional boundaries. Such boundaries promoted a culture that did not challenge the dominant neo-liberal development agenda. The institution enshrined a competitive career structure that rewards loans of ever-increasing sums of money

(Caufield, 1996; George & Sabelli, 1994; Pincus, 2000), and does not tolerate dissent. Wolfensohn reinforced his support for this culture on his first day in the position of president in a memo sent to all staff:

I expect from you loyalty to the institution and to each other... Criticisms must be internal and constructive... I will regard externally voiced criticism of the Bank as an indication of a desire to find alternative employment. (Cited in Caufield, 1996: 312).

Therefore the institutional boundaries are reinforced by all career minded staff who demonstrate commitment to the myth that ‘development’ is not political – simply good economics. Paul Nelson writes about these limitations at length:

The imperatives of organisational survival and lending large amounts of capital quickly limit the World Bank’s capacity for concerted collaboration with NGOs. This ‘disbursement imperative’ dominates policy at the organisational level and pervades individual incentive and motivation. It is driven by external political pressures to manage Third World debt and promote global integration, and although Bank management has become sensitive to the problem, it remains enshrined in an organisational structure that promotes the kind of planning and disbursement required for capital-driven, growth-oriented lending. These structures and procedures are ill suited to collaboration with NGOs. Indeed the Bank tends to protect its standard operating procedures against the kind of uncertainty and spontaneity that NGOs promote. (Nelson, 1995: 9).

The ‘Bank as preferred creditor’ is a further institutional boundary (or operational imperative) that is discussed by Jonathon Pincus (2000) in his examinations of

lending operations at the World Bank. The Bank, in order to retain its good credit rating, requires that recipient governments' guarantee all loans whether projects succeed or fail. Hence the Bank can only loan to governments. The NGOs I interviewed were generally resentful of the Bank's institutional boundary in this regard, particularly in light of the regime's corruption of development funds and lack of legitimacy, believing themselves to be a far more efficient and legitimate provider of development programs and outcomes. This institutional boundary clearly limited the role NGOs could play in determining how loan funds were used in Indonesia. However the Bank staff I interviewed failed to identify these boundaries as fundamental to their relationship with NGOs. Rather, they were of the opinion that it was NGOs that lacked capacity because they did not understand the Bank. Although there is no doubt truth to this (the Bank is a web of bureaucracy and policy that is, at times, incomprehensible), the Bank staff failed to see their frustration in terms of the Bank's own lack of capacity. On the one hand they were being expected to consult with and include NGOs, yet on the other they were institutionally restricted to taking on board any but the most benign suggestions of NGOs because the Bank is a bank.

What of the Future?

I asked World Bank staff and NGO representatives how they saw the future of their relations. They had very different responses. On the whole, NGO representatives believed that there would be no further relationship building between their sector and the World Bank, including on collaboration for specific

issues or projects. The Bank staff however believe that their relationship with NGOs will deepen in the coming years.

Advocacy NGOs were keen to maintain their outside-in strategies in their attempts to promote political and economic transformation. They perceived their outside-in strategies as enabling them to force the World Bank to at least listen to their concerns, and possibly act to address them. In so doing they could maintain distance from an institution they regarded with suspicion and resentment, particularly given its cosy relationship with the repressive regime of Suharto, and its failure to convince them that it was genuine in its new rhetoric. Essentially, advocacy NGOs did not consider that their agenda shared any common ground with the World Bank agenda and hence they saw no space for collaboration. Community development NGOs were somewhat more eager to continue the strategy of reform through dialogue with the World Bank, albeit with caution. However the attempts the Bank had made to engage NGOs had not proved fruitful because many NGOs had perceived them as public relations exercises.

The rather negative outlook of NGOs regarding their future relationship with the Bank sat in contrast to the outlook of the World Bank staff in Indonesia. They were firmly of the opinion that the relationship would continue to improve as NGOs mature into organisations capable of entering 'productive' dialogues. Their faith rested upon their confidence in gradually manipulating and moulding a compliant NGO sector in Indonesia, and in NGOs learning their role and place as democratisation continued. Staff actively sought to shape the future trajectory of NGO development in the post-Suharto era. Engaging in dialogue offered one

way to draw NGOs into supporting the Bank's neo-liberal development agenda. In Indonesia the cultivation of a collaborative relationship with NGOs may influence NGO interests, values, methods, and priorities without any significant changes to the Bank's own agenda.

The Bank's preference for 'productive' dialogues translated into a preference for dialogues that focused on project operations rather than on the development agenda of the Bank. Productive dialogues included only those projects that the Bank is willing to be moved on, as one staffer put it:

The World Bank needs to strategically choose the issues and projects on which it can maximise the benefits of constructive engagement with Civil Society. To some extent, it is a matter of picking and choosing the winnable battles. (McCarthy, 2000a).

The maturation of NGOs into a sector focussed on enabling the effective implementation of the Bank's development agenda was seen as somewhat inevitable. The 'un-winnable battles' of NGOs were perceived by Bank staff to include: calls for debt reduction; demands for investigations into human rights abuses and environmental destruction caused by Bank programs (eg. Kedung Ombo and Transmigrasi), and investigations into bank complicity in corruption. Most importantly, it is 'un-winnable' for NGOs to negotiate the development agenda and its embeddness in neo-liberal economics and more recently, neo-liberal political ideology. Collaboration is restricted by the boundaries that the

Bank has established, limiting dialogue to those issues that do not fundamentally challenge the Bank's ideological positioning and interests.

Bank staff were not well positioned to negotiate the boundaries. A career with the World Bank is extremely difficult to come by and offers such lucrative employment conditions and salaries that leaving is rarely a financially viable option (George & Sabelli, 1994). As well, and as I have already noted, the Bank rewards staff who demonstrate success in their lending portfolio (success is determined in amounts of dollars loaned, not in program outcomes). Hence staff become easily embedded in a workplace culture that insists upon loyalty to the neo-liberal development agenda (George & Sabelli, 1994; Caufield, 1996). As seen in the Indonesian case, staff readily protect the institution from criticism. Staff that I interviewed at the Bank in Indonesia found it frustrating to try and engage an NGO sector that is more interested in discussing macro-economic issues, the merits of the development agenda, and the Bank's record in Indonesia. These dialogues challenge and threaten the institution by exposing its failures. Therefore the staff move to protect the institution by controlling dialogues and their agendas, reinforcing the boundaries of dialogue to the operationalisation of projects, the designs for which are born within its narrowly constructed worldview.

In Summary

The economic crisis in Indonesia acted as the catalyst for a change in tack at the World Bank. The 'new' World Bank followed Washington head quarters in

developing strategies to engage NGOs in a development dialogue. The rhetoric portrayed the Bank in Indonesia as engaged in positive dialogues with NGOs and civil society (World Bank, 2001c), however the reality was much more complex and not as assured. The strategies and dialogues had been fraught with problems and challenges. Many in the NGO sector had expressed their dissatisfaction with a process that they believed achieves little by way of outcomes. Bank staff too had been frustrated by the process and by an NGO community whose objectives they did not understand or agree with. At the heart of the problems and frustration lies the Bank's capacity for meaningful engagement with the NGO sector. The World Bank in Indonesia could not respond to NGOs that sought to fundamentally alter its development agenda. So established are its boundaries that the Bank in Indonesia would not even discuss with NGOs a number of controversial issues that it was directly involved in. It is restricted by its neo-liberal framework and interests, unable to meaningfully engage NGOs on anything but the technical matters of Bank development programs. This exploration of the reality of Bank/NGO dialogue that lies beneath the Bank's rhetoric reveals that the changes are superficial. The fundamental ideological constructions within the Bank resist transformation and therefore resist the input of many Indonesian NGOs. Because the Bank staff in Indonesia could not escape these fundamental constructions, and because NGOs in Indonesia challenged them, their relationship was limited, tension filled and frustrating, and unlikely to change in the foreseeable future. This tension was manifest in the ongoing debate between the World Bank and NGOs regarding a range of controversial issues, dating back to the late 1960s. These include the Bank funded Kedung Ombo Dam and Transmigration projects, and more recently, the social safety net programs

and NGO concern for Indonesia's spiralling debt burden. These controversial issues will be dealt with in the following chapter.

CHAPTER 6 - CONTROVERSIES: THE WORLD BANK VERSUS NGOS

Introduction

To throw further light on World Bank / NGO relations in Indonesia, this chapter examines in detail four issues that are highly contested and continually threatened to de-rail the process of engagement. These issues are Transmigration and Kedung Ombo Dam, corruption and debt, the Social Safety Net, and the Country Assistance Strategy consultation process. Some of these issues have their roots in World Bank projects that began as far back as the late 1960s, whilst others have origins in the post-crisis era. To the NGO sector the Bank's response to these issues confirmed that the Bank was not genuine in wanting NGO input or fundamentally transforming the way it does business in Indonesia. The most recent attempt to engage NGOs, the Country Assistance Strategy consultations of 2000, appeared to have only further damaged relations between the Bank and NGOs and produced for NGOs further evidence of the Bank's inability to hear its voices. Such controversial issues continued to plague the World Bank as it attempted to engage NGOs in dialogue.

The Case of Kedung Ombo Dam

In 1982 the Indonesian Government signed a loan agreement with the World Bank for US\$ 156 million to build the Kedung Ombo Dam. The government began land acquisition of the 10,000 households across 22 villages that were to be displaced (Aditjondro, 1993). The dam was completed in 1988 and in January

1989 the Serang River valley on the Island of Java (not far from Yogyakarta) was flooded (Rumansara, 1998). Suharto inaugurated the dam on 18th May 1991 inspite of the 600 families still living at the site and refusing to move. Suharto said that the country's development required sacrifices from the people, (Far Eastern Economic Review, 1991). In Suharto's own words:

The sacrifices of the people around the Kedung Ombo reservoir are not useless. From these sacrifices, we will reap one progress after another. [The benefits of] your sacrifices will not only be felt immediately, but also will be felt by the coming generations. I salute you for your willingness to sacrifice for the sake of development. (May 1991, cited in Aditjondro, 1993: 86).

The 'sacrifices' of those people, their plight to receive just compensation, and their seven-year struggle for their land became an advocacy campaign of international proportions (Aditjondro, 1993; Schwarz, 1991).

Although the loan for the Dam project was signed in 1982, it was many years later, when local governments began to register villagers for compensation purposes, that villagers started to become pro-active against the dam and/or compensation amounts. The amount of compensation offered by the governor of the province was minuscule from Rp300 to Rp700 per square metre, the equivalent of US 15-36cents or three to six chicken eggs. The villagers were demanding Rp 20-25,000 per square metre (Schwarz, 1991), however some refused all compensation, not wanting to be moved at all. The families were to be relocated to South Sumatra under the controversial Transmigration program, also a Bank financed program (Zaman, 2002), or to their choice of three other

resettlement sites (Schwarz, 1991). Estimates of the numbers who willingly migrated, compared with those who were either forced to migrate or who stayed, vary widely. Government official estimates to the World Bank in 1988 reported that 3,500 families had transmigrated, however the Wacana Satya Christian University claimed that only 376 families had transmigrated (Rumansara, 1998).

The Kedung Ombo campaign began in order to secure just compensation for the people of Kedung Ombo initially through legal redress. By the time of its inauguration the dam had come to represent the oppression of the Suharto regime, the World Bank, and the Indonesian development agenda (Aditjondro, 1993). From the earliest days of the campaign, when unorganised local voices expressed their dismay at the government's offer and refused to leave their land, local officials and the military employed the tactics of intimidation and threats to deal with disquiet. Those who expressed their dissent were publicly accused of being anti-development and enemies of the state (Rumansara, 1998). Suharto claimed that the Kedung Ombo area:

...used to be a stronghold of the PKI [the banned Indonesian Communist Party], so there must be remnants who gave false information. (Cited in Vatikostis, 1989a).

Indeed, villagers identified as obstructionist were given the label E.T. (*ex tapol* or political prisoner). Some had this label stamped on their identification cards (Aditjondro, 1993). Aditjondro (1993) finds evidence that Suharto's regime attributed the resistance of villagers to their 'underdeveloped' intellect and political awareness. Their apparent low level of intellect became an argument in

support of Suharto's development agenda, and was used to explain why the villagers had been susceptible to outside provocation (Aditjondro, 1993). The President also criticised those groups and individuals who "appear" to be helping but are "actually pushing them down and causing them trouble" (cited in Vatikostis, 1989a). Suharto created the image of people and organised groups intent on causing harm to others.

- ***The NGO campaign***

Initially local villagers sought local NGOs, such as the local legal aid institute, for assistance. Soon after Jakarta-based NGOs were drawn into the campaign and took it to international levels. They were supported by a vocal student movement that showed itself to be remarkably well organised given the clampdown of university politics that had taken place over the previous decade (Vatikostis, 1989b). In 1989 the Far Eastern Economic Review reported:

Said one human rights lawyer "*it is a real people's issue*" adding that it brought students and other non-governmental groups and the local people together in a rare show of solidarity. (Vatikostis, 1989a).

However Rumansara reports that the presence of both local and Jakarta based NGOs in the same campaign (although employing very different tactics), caused existing tensions between the groups to escalate, leading to the public distancing of local NGOs from Jakarta based NGOs. Such infighting between NGOs caused

them to lose credibility in the eyes of some Kedung Ombo villager groups and the wider public (Rumansara, 1998).

Jakarta based advocacy NGOs employed a classic outside-in campaign. They sought the support of international NGOs, international media, and Indonesia's donor governments in challenging the World Bank and the Indonesian government:

Indonesian and foreign non-governmental organisations have seized on the World Bank's role in the project to raise the plight of Kedung Ombo farmers to an international level. (Schwarz, 1991: 22).

The largest group of dam critics were drawn from student activists who formed a vocal and active student movement that came together in a network, *Solidarity Group for the Victims of Development at Kedung Ombo* (Aditjondro, 1993). As well, a Yogyakarta based catholic priest, Father Mangunwijaya, became a high profile dam critic. The NGO groups that built a campaign against the dam, and the broader development issues that it came to symbolise, include Indonesia's legal aid foundation YLBHI, WALHI and SKEPHI (both environmental advocacy NGOs), and INFLIGHT (a human rights organisation). YLBHI spearheaded the legal campaign, defending the rights of villagers through its local, national and international defence efforts (Aditjondro, 1993). The international campaign was spearheaded INGI (the International NGO Forum on

Indonesia)³³. INGI members sought the assistance of their respective funding bodies and networks in applying pressure. For example, George Aditjondro - one of the founders of INGI – became a vocal supporter of the campaign and took the issues to international political and academic forums, as did Agus Purnomo, then of WALHI, who discussed Kedung Ombo at a World Bank seminar in Berlin, (Rumansara, 1998).

The World Bank became a target for the international campaign. Much NGO criticism focussed on the top-down process, as one activist at the time notes:

Since 1983 to the present, there has been no effort by the central government or the World Bank to consult the farmers. All the farmers have got are the guidelines, announcements and threats. (Cited in Schwarz, 1991: 22).

Its support for the dam and the process of land acquisition prompted INGI to send a letter to the World Bank Director, Barber Conable, on April 26th 1989 (Vatikiostis, 1989c). The letter sought just compensation, the meaningful inclusion of villagers in decision-making processes, and proper Bank supervision of the transmigration process. The letter pointed out that the process to date had been in violation of the Bank's own policies regarding compensation and resettlement released only one year earlier (Rumansara, 1998). In addition INGI

33 INGI was established in 1985 as an advocacy NGO. INGI was an NGO coalition, formed in order to coordinate NGO responses to the Inter-Governmental Group on Indonesia (IGGI). It was established by both Indonesian and foreign NGOs with the financial support of NOVIB (the Netherlands Organisation for International Cooperation and Development). Although an advocacy NGO, INGI (and later INFID) had as its members both advocacy and community development NGOs. INGI was renamed INFID in 1993.

published Aide Memoire's criticising the government and World Bank in relation to human rights violations in Kedung Ombo. The Aide Memoire's were issued to all of the members of the IGGI that funded Indonesia's development agenda (Aditjondro, 1993).

Suharto was incensed that NGOs would cause his government to loose face internationally and accused Indonesian NGOs of hanging out Indonesia's dirty linen for the world to see, adding that the NGOs had become instruments of foreign interests. The letter to the World Bank particularly infuriated President Suharto who, in a cabinet meeting of 5 July 1989, and then again in August, ordered his military and government to discipline the NGOs (Aditjondro, 1993; Vatikostis, 1989c). The fact that the order was only half-heartedly carried out reflects the factional infighting and competing interests of the military leadership at the time (Aditjondro, 1993). However the armed forces commander advised the NGOs not to misrepresent the country. Also:

Summoned on the orders of President Suharto, a 12 August meeting of leaders of non-governmental organisations (NGOs) was told by Home Affairs Minister Rudini that they had behaved unpatriotically by "speaking ill of their country overseas". (Vatikostis, 1989c: 34).

The NGO sector's outside-in tactics alerted the international donors, multilaterals and media, to the case of Kedung Ombo and to other human rights and environmental abuses. This caused some donors to suggest that future development aid for Indonesia should be tied to the country's human rights

record, (Vatikiostis, 1989c). The entire affair was deeply embarrassing for the Indonesian government and the World Bank.

In translating local concerns to international concerns the issues were broadened from those of just compensation for the land to issues of human rights, transmigration, environmental degradation, and the rationale of large-scale development projects. International and Jakarta based NGOs were thus accused of not representing the interests of the people of Kedung Ombo. Seamus Cleary undertook extensive research into the role of NGOs in the Kedung Ombo case. Cleary criticised Indonesian NGOs for becoming 'Westernised' in their campaign:

Under authoritarian regimes such as Indonesia's... collaboration is inevitable; ... it may be the most appropriate response when seeking to advance or protect the interests of powerless groups. It is entirely conceivable that local and national government would have been more likely to agree improved compensation for the Kedung Ombo villagers had the NGO strategy been less confrontational, more closely matched to ICMI's subsequent respectful pursuit of a consensual outcome which drew on traditional social mores. In other words, the villagers interests might have been better served had the NGOs been less critical in the tradition of western political pluralism and more collaborationist and deferential from the outset. (Cleary, 1995: 25).

Cleary does not, in finding this conclusion, take account of the fact that the campaign was lifted to international status in stages. The first attempts to gain just compensation took place at the provincial level and through legal channels

(Aditjondro, 1993). It was only after these attempts failed that Jakarta based NGOs became involved, and then international NGOs. Further, Cleary puts forward the position that deference and collaboration – being “traditional” cultural characteristics of the Javanese – are the most appropriate methods for dealing with an authoritarian regime, failing to recognise that authoritarian regimes such as Indonesia’s had a closed door approach. Indonesian NGOs had extremely little space for negotiating with an intolerant Indonesian government and hence were left with few options but to employ outside-in strategies.

In his article Cleary claims that the Jakarta based and international NGOs used the case of Kedung Ombo to further their already established campaign against the World Bank, rather than to promote the interests of the people of Kedung Ombo (Cleary, 1995). However, Augustinus Rumansara found that in the case of INGI this criticism is largely unfounded (Rumansara, 1998). Citing INGI’s letter to the World Bank as evidence, along with other international statements, Rumansara demonstrates that INGI accurately put forward the claims of the people of Kedung Ombo. In the case of other international efforts it is clear that Kedung Ombo came to represent a number of broad-based concerns with ‘development’ and with the World Bank:

The struggle spread from the issue of compensation to questions about where the people of Kedung Ombo could resettle and how they could regain their livelihoods, to concerns about their human rights ...and to disputes about NGOs rights of association. (Rumansara, 1998: 126).

Rumansara goes on to argue that although the campaign did not actually secure all of the claims of the people of Kedung Ombo, attention was drawn – both internationally and domestically – to a range of environmental, human rights, political and development issues. In addition, Indonesian NGOs gained voice and became more coordinated through the process, in spite of tensions between local and Jakarta based NGOs. A significant limitation in securing the demands of the villagers was not the style of the campaign but the pressure that the regime put on the villagers, translating into high personal and economic risks to people who chose to stay rather than to transmigrate.

- ***The World Bank Response***

During the course of the [Kedung Ombo Dam] project...villagers were subject to abuse at the hands of the military, forced to relocate to unsuitable and poorly serviced transmigration sites and denied claims to compensation. The Bank's performance stands as an extreme example of deficient supervision, bureaucratic capture and unresponsiveness to public pressure. (Pincus, 2000: 202).

The World Bank attempted to distance itself from the Kedung Ombo Dam project by blaming the government of Indonesia for its failures. However, the Operations Evaluations Department reviewed the project in 1998 and found that Bank staff had neglected to properly supervise the project, ignored the concerns of NGOs and those expressed by the visiting re-settlement expert in 1988, and failed to ensure compliance with Bank policies (Pincus, 2000). The report employs as an example the attempts by LBH to encourage the Bank to take action on LBHs

documented cases of abuse, and the Bank's attempts to shift blame onto the government (Pincus, 2000).

In my interviews with Bank staff in Indonesia I found that sensitivity toward the issue remained high and staff clearly wished to distance themselves from the project. Bank staff defended their employing institution, arguing that the Bank could not compel the government to grant the villagers claims as the loan documents had by then been approved by the Bank board. There is of course some truth to this. However the Bank rarely concedes the extent of its influence on client governments. At this time Indonesia was highly dependent on international loans and donors due to reduced revenue from depressed oil prices. As well, the apparent lack of influence that the Bank claimed to have after loans have been approved by the board raises crucial questions regarding the Bank's ability to implement its own policies in program implementation.

In the case of Kedung Ombo the Bank violated its own policies on just compensation for land acquired for development, and policies on involuntary resettlement first developed in Operational Manual Statement 2.33 of 1980 and upgraded to Operational Directive 4.30 in 1990 (Zaman, 2002). It was not only NGOs that confirmed these violations, the Bank's own fact-finding mission to Kedung Ombo in 1989 reported these violations of Bank policy (see Purcell, 1995). The Bank claimed it could do nothing because officially it had to accept the information given to it by the government of Indonesia. However the incident probably played a role in the upgrading of the Bank's policy in 1990.

Although Bank staff were aware of the inaccuracy of reports from the government they failed to act, apparently because of the institutional mandate to work only through governments. However it is more likely that the Bank was constrained by the types of operational imperatives that Pincus (2000) describes including the Bank's status as preferred creditor, the pressure to lend, and institutional capture. As well, Bank staff commitment to the development agenda may have acted as a powerful force for inertia.

In its Project Completion Report the World Bank conceded that it had made a number of mistakes in failing to respond to the major resettlement problem at Kedung Ombo, particularly that the Bank should have worked with the Indonesian government and:

... participated in an early, informed discussion of Kedung Ombo with NGOs and other concerned groups, much of the embarrassment and cost suffered by the Bank and the government of Indonesia subsequently could have been averted. (World Bank, April 1995).

The Bank staff claims that it could do nothing because of its institutional mandate was misleading; it had a variety of mechanisms at its disposal. It could influence donors through its influential role on the ICGI, it could influence the government of Indonesia through its own loans and, more importantly, through its influence on the international investment community. The World Bank's tendency to understate its own leverage over the Indonesian government is a recurring theme in the Bank's response to critics.

In my own interviews with Bank staff four of the six interviewed claimed the Bank was less powerful than its image suggests. Bank staff frequently compared the amount in loan dollars it had granted Indonesia with other financial institutions as evidence of its minor role. Yet World Bank influence is not accurately measured in loan sums. Patricia Adams in her book *Odious Debts* points out that:

As the best endowed development agency on earth, with the largest staff and an army of economists, the bank had drawn up investment plans for Third World governments, arranged financing packages for major capital projects, offered financial guarantees to private lenders, provided information about investment opportunities in the Third World, signed special “framework agreements” with the industrialised countries’ national aid agencies, managed multi-million dollar “trust funds” for cash rich countries, and organised “consultative group” meetings of other aid donors to coordinate tens of billions of dollars’ worth of loans. As a result of these efforts, for every dollar the World Bank lent to a Third World project, another \$2 to \$3 was attracted from other sources, both public and private. (Adams, 1994: 68).

It is this scale of influence that the Bank staff in Indonesia were unwilling to acknowledge.

Transmigrasi

The Indonesian transmigration program - *Transmigrasi* - was also a controversial topic in World Bank / NGO relations in Indonesia. The project was the largest of

its kind in the world. Its objective was to relocate millions of inhabitants from the crowded islands of Java, Bali, and Madura, to less populated regions throughout the archipelago. The World Bank loaned the finance monies for seven of these projects (World Bank, 1994), with a total of US\$ 560 million in loans (Cohen, 2000). The projects began in 1969, reached their peak in the decade of the eighties and early nineties and were not dropped until Suharto's fall in 1998 (however, foreign funding for *Transmigrasi* ended before then), (World Bank, 1994). Over 8 million people have been relocated (Conflict Prevention Initiative, 2001). The Indonesian government claimed that all relocations were voluntary and that transmigrants were granted land, housing and basic necessities to build new communities.

The objectives of the Transmigration Program are to improve the living standards and employment opportunities of poor, landless families from the inner islands; alleviate population pressures; promote balanced population distribution and regional development; and increase agricultural production. (World Bank, 1994).

The unstated goal of the program, well known throughout Indonesia, was to populate disputed Indonesian territories such as West Papua (then Irian Jaya), Aceh, and East Timor, with people who identify as Indonesian nationals.

Another aspect of transmigration, which is never spelled out officially, is that apart from the main consideration of relieving population pressure, poverty and unemployment in Java and Bali, it also contributes to security in the country's far-flung territories. Filling up empty areas in these regions with Javanese – many of

whom are retired army forces' personnel – will contribute to national unity and stability, so the official thinking goes. (Tasker, 1979).

The program also enabled the opening up and development of regions, indigenous populations were not considered 'suitable' for such work, for example the Irianese (now West Papuans). Abner Korwa of the Irian Rural Community Development Foundation, concerned about the influx of transmigrants and their impact on local culture, said in 1994:

The government wants our people to adopt Indonesian culture, but really it is the majority [Javanese] culture. I think there is a danger of us losing our identity. (Cited in McBeth, 1994: 51).

- ***The NGO Campaign***

In the mid-eighties NGO human rights groups and environmental groups began campaigning against the transmigration program. On environmental grounds the program was accused of putting pressure on delicate ecosystems and dwindling remaining areas of rain forest as land was cleared for settlements and cash crops (Jones, 2000). Further, land title is widely disputed between transmigrants, the government, and the lands' indigenous populations (McBeth, 1994). For example, in cases where local peoples were compensated for their land, often traditional owners disputed that the land was sold, claiming instead that it was rented (Hastings, 1983). Human rights organisations pointed out the effects of transmigrants on indigenous communities whose land was being appropriated and cultures violated:

Transmigration sites... took over indigenous lands, without their consent or compensation, and obliged them to change their ways of life and submit to re-education programmes to wean them from what the government thought were 'backward' ways. Resistance was met with violence and abuses of human rights. The campaigners pointed out that the World Bank support for transmigration directly violated the Bank's own policy of respect for indigenous people's rights, which it had adopted in the early 1980s. (Adhiati & Bobsien, 2001: 3).

The campaigners also alleged that the program had failed to alleviate poverty. Transmigrants were often left in hostile physical environments with lack of access to water, services, and suitable land for cultivation (Cohen, 2000), with no effect on population levels on Java (Adhiati & Bobsien, 2001). As well, NGOs charge that the transmigration programs' forcible relocation of families and communities constitutes human rights violations (Zaman, 2002). The more recent violence in Aceh, the Moluccas and East Timor has also been blamed on *Transmigrasi*, as locals struggling for identity and/or independence clash with Javanese and Balinese transmigrants (Cohen, 2000; Jones, 2000). Advocacy NGOs put pressure on the World Bank and other multi-lateral institutions to halt the program, once again taking their campaign into the international arena.

- ***The World Bank Response***

In an April 1994 report on the Transmigration program the Bank was arguing its successes, including increased living standards for transmigrants and increased educational opportunities (World Bank, 1994). However the report does concede

that transmigration has had ‘major negative and probably irreversible impacts’ on indigenous communities (World Bank, 1994). Whilst this statement acknowledges the seriousness of the problem the report only grants two paragraphs to a discussion of this and other negative environmental impacts such as deforestation. The report then concludes that the damage to environment and indigenous communities can be mitigated with improved implementation processes. Whilst at once recognising the problems (albeit in brief), the Bank minimises them. Furthermore, the report makes no comment on the allegation made by many NGOs that, in spite of government rhetoric to the contrary, many transmigrants were forcibly relocated to outer islands and used to secure disputed territories. Finally, and importantly, the World Bank report does not address the fact that its own findings evidence disregard for World Bank policies in the Transmigration Program.

The Bank’s own guidelines and policies for dealing with indigenous and tribal communities were disregarded in implementation of the Indonesian Transmigration program. A policy directive published in 1982 and titled, “*Tribal People’s and Economic Development*” was the first significant attempt by the Bank to seek to protect the interests of indigenous people’s – at least in rhetoric. The policy directed Bank staff to not carry out projects affecting tribal peoples, “unless the tribal society is in agreement with the project.” As well, the directive compelled the Bank to reject projects that required the forcible integration of tribal peoples with the national society, or isolate them from it. The directive proposed “an intermediate policy of self-determination” and made special provisions to ensure respect for land rights, ethnic identity and cultural autonomy,

(Survival International, 1994: 115). The policy was initially welcomed by those NGOs advocating on behalf of tribal peoples in Indonesia. However they quickly became disillusioned as the Bank proceeded to ignore the policy in practice and then, some years later, sought to distance itself from its publication (Survival International, 1994). Later World Bank policies and guidelines designed to protect indigenous people's include: the World Bank's Technical Paper No. 80/1988 stating that displaced populations and host communities must be involved in the planning stages of involuntary resettlement; Operational Directive 4.00 which deals with environmental policy for dam and reservoir projects; and Operational Directive 4.20 of 1991 that is designed to protect indigenous peoples cultural heritage and ensure they are not worse off for World Bank projects (Aditjondro, 1993). In the Indonesian case there appears little to evidence the World Bank's regard for these policies. Again it appears that the Bank was constrained by its operational imperatives. Pincus (2000) suggests that the Bank's operational imperatives, including the pressure to lend and institutional capture, were significant factors in the Bank's failure to deal decisively with the problems of the project:

Transmigration was a high priority for the Suharto government, and despite repeated failures the Bank soldiered on. (Pincus, 2000: 204).

Clearly then, the Bank was driven in part by its desire to maintain positive relations with the Suharto regime. I would add that the Bank in Indonesia also had an incentive to continue to defend and legitimate its development agenda,

particularly in the face of increasing criticism both internationally and domestically.

▪ *The Lasting Effects of Kedung Ombo and Transmigrasi*

In my interviews with NGO representatives some voluntarily initiated a discussion about Transmigration and Kedung Ombo in response to questions regarding the barriers to World Bank/NGO engagement. I found that six of the twenty interviewed harbour resentment towards the World Bank for funding the Transmigration and Kedung Ombo dam programs, and for failing to act upon the environmental and human rights abuses that were taking place. These include some of the largest NGO advocacy groups in Indonesia. Advocacy NGOs campaigned hard nationally and internationally to have the problems of the Indonesian Transmigration and Kedung Ombo Dam projects addressed. They used the programs to evidence the Suharto regime's repressive abuses and to condemn World Bank support for such a government. Community development NGOs, whilst less vocal on the issues, quietly supported the work of the advocacy NGOs, as evidenced by their responses in interviews and their membership of NGOs such as Walhi and INFID.

Many of these NGO representatives took the position that an international inquiry into the Kedung Ombo Dam and Transmigration projects should be convened or, at the least, an open inquiry conducted by the World Bank. The World Bank staff I spoke with were frustrated that advocacy NGOs refused to put these projects behind them. All six Bank staff interviewed put forward their position that the

NGOs should leave the past, move on and become more forward looking. Staff did not believe that an investigation would serve any positive purpose.

In 2001 the NGO liaison officer reported to other Bank staff that:

The Bank's image in Indonesia continues to be haunted – justifiably or otherwise – by the spectre of three GOI-led initiatives that retain large doses of public and civil society scorn: transmigration, the Kedung Ombo dam project and the Social Safety Net Adjustment Loan. Irrespective of civil society's imperfect understanding of the Bank's actual involvement in these projects (including the finer points of adjustment lending), the World Bank is seen to be the real architect behind these ill-conceived efforts. The fact that the Bank has rarely acknowledged – much less publicly apologised for – its supposed transgressions on these projects ensures that they will remain a sore point for the foreseeable future... No amount of contrition will rehabilitate the Bank's image in some eyes. But a public apology – possibly combined with some sort of innovative defacto compensation in Kedung Ombo – has the potential to generate considerable public and civil society goodwill. (McCarthy, 2000a: 3).

Whilst understanding the issues as a barrier to NGO – World Bank relations, the NGO liaison officer used carefully chosen words in this assessment an effort to avoid depicting the Bank as responsible for the “ill-conceived” projects. The memo implies that the Bank was not a significant player in the project design. Yet one of the staff with whom I spoke claimed that it was standard practice for Bank staff to design projects and write loan agreements (World Bank staff

member no. 1, 2001)³⁴. Debates over complicity notwithstanding, the Bank staff were adamant that the Bank was unwilling to conduct an investigation let alone dialogue these issues with NGOs. The NGO liaison officer, in his memo, points out the utility of an apology and some form compensation to the Bank's image, rather than viewing such an act as one of honest reconciliation. It was this cynical approach to NGO concerns that was evident to many of the NGO representatives with whom I spoke and the cause of ongoing resentment.

Debt Issues and Corruption Allegations

- ***Indonesia's Debt Burden***

Fifteen of the twenty Indonesian NGOs interviewed were involved in campaigns to eliminate or reduce Indonesia's growing debt burden. The issue of burgeoning debt featured prominently in the media and was high on the political agenda of the new government. Jeffrey Winters gives an overview of the debt situation as it stood in 2000:

Indonesia's total external debt, which includes government and private sector debt, is US\$144 billion, an amount roughly equal to the country's total annual economic production (GDP) of US\$160 billion. The government's total debt, which includes external and domestic debt, was US\$134 billion at the beginning of 2000. This represents an increase of US\$81 billion in the 2.5 years from the middle of 1997

34 Evidence of the Bank's significant involvement in project design is also provided in Chapter 2 in my discussion on the Bank's cosy relationship with the Indonesian government.

before the economic crisis until the beginning of 2000. This increase in debt is even more shocking when measured against the size of the Indonesian economy. During the same 2.5 year period, government debt as a percentage of GDP jumped from 23% to 83%...Indonesia now ranks as the most deeply indebted major country in the world...The debt, which will consume 40% of government revenues for the foreseeable future, is draining the country's economic potential. And like a vicious circle, the weak economy means the country cannot rely on a sharp increase in investment and rapid growth to solve its debt problem in the future. Indonesia is in a classic debt trap in which new loans are used to service old ones. (Winters, 2000: 1).

NGOs in Indonesia, together with some media, academics, and other civil society groups such as trade unions, were highly critical of the government's handling of the debt crisis and the government's dealings with the international financial institutions. This statement from INFID demonstrates:

What is of concern to us as a civil society is that the characteristics of our external debt has changed over the years. Throughout the 1980s, the most part of this debt comprised project loans; so in the 90s program loans/structural adjustment programs were the norm, which in essence modified national economic policy... Indonesia is now in a debt trap. On the one hand, in order to fuel the government, the budget deficit must be covered by additional new loans; but on the other hand, new loans – SAPs in particular – will only trap and squeeze us, adding to the suffering and misery of our people, as has happened in Africa and South America. (INFID, 1999a: 3).

The NGO advocacy sector, with widespread support from the community development NGOs, was calling for a debt moratorium and an investigation into

the history of debt accumulation in Indonesia (Anti-Debt Coalition of Indonesia, 2000). On June 1st 1999 a national seminar on the *Omission of Foreign Debts* was held in Yogyakarta and jointly sponsored by a number of Indonesian advocacy NGOs including INFID. The seminar produced a declaration calling upon creditor governments to omit Indonesia's debt and to urge the Indonesian government not to take out any new debts. The declaration also called upon the government to:

Change immediately the development paradigm which was too heavily external-oriented and to move towards a development paradigm that gives priority to making optimum use of domestic resource. (National Seminar and Workshop on the Omission of Foreign Debts, 1999).

The Declaration's final point calls upon the government to bring to justice those that corrupted foreign loans. One of the primary targets of the anti-debt campaign is the World Bank. It was called upon to investigate allegations of corruption in its loans, and to reduce Indonesia's debt on the grounds that it was "criminal debt" or even "odious debt".

▪ ***Odious Debt and Criminal Debt***

The principle of 'Odious Debt' is discussed by Patricia Adams in her 1991 book of the same name. Odious debt is debt incurred by governments that: use those funds for purposes other than the interests of the nation; are used by governments to serve personal interests or; were incurred by a government that did not have

the public consent of the people. An odious debt is therefore not binding on a population if a former illegitimate government incurred it. According to Adams, although odious debt is recognised in international law there has been no testing of it since the early twentieth century. She cites Alexander Sack (a professor of Law in Paris in the early 1900s who authored two major works on the principle of odious debt) to claim that:

According to Sack: “when a government incurs debt to subjugate the population of a part of its territory or to colonise it with members of the dominant nationality, etc., these debts are odious to the indigenous population of that part of the territory of the debtor state.”

When government officials treat state investments as vehicles for political favors, graft, and capital flight, and are prepared to turn a blind eye to the technical and economic viability of such projects, foreign bank loans become grease in wheels that turn against the state interests. (Adams, 1991: 169-70).

By this reading of the doctrine of odious debts there is no doubt that the grounds exist for the NGO sector in Indonesia to at least challenge the debts incurred by Suharto from the World Bank. This is particularly true when one considers the Transmigration and Kedung Ombo dam projects. It is precisely this line of challenge that many advocacy NGOs are pursuing, and they use Adams’ arguments to support their claims. At the time of interviews INFID was investigating the possibility of mounting a legal challenge in the international courts based on the contention that a large part of Indonesia’s debt constitutes odious debt (NGO interviewee No. 7, 2000).

The campaign to challenge Indonesia's debt is also founded on the basis that the debt constitutes "criminal debt" - a related claim to the odious debt campaign:

"Criminal Debt" refers to a repayment burden on a society that is unjust either because sovereign loans were made to a country and then were stolen by corrupt officials and business cronies, or because debt was incurred to rescue an economy severely damaged by criminal behaviour of powerful actors. (Winters, 2000: 7).

World Bank culpability in at least part of Indonesia's debt problem is perceived as extensive in the eyes of the NGO community. The World Bank loaned the Suharto regime almost US\$30 billion dollars between 1966 and 1998 in the knowledge that this government was corrupt and illegitimate (Winters, 2000). EORDAD (European Network on Debt and Development) argues that:

The roots of the current debt problem nevertheless lie in the corruption and nepotism that characterised the New Order instituted by Soeharto. The 32 years long regime resulted in the concentration of political and economic power in the hands of a restricted circle of officials and business tycoons that used corruption and political connectedness to accumulate an increasing proportion of the country's wealth. International institutions, under pressure not to undermine the economic achievements of the country, preferred to ignore these practices, even though their own loans were also subject to corruption and misappropriation. (Lemoine, 2002: 4).

Of the twenty NGO representatives I interviewed, fifteen accused the World Bank of supporting corruption during the time of Suharto's rule, the remaining

five made no mention of the issue, (though I did not prompt interviewees in relation to these controversial issues; they volunteered the responses). All fifteen were affiliated with one of the anti-debt campaigns in Jakarta. Since raising concern over Indonesia's debt burden many NGOs had organised and participated in numerous campaigns to stop debt. These included demonstrations calling for the disbanding of the CGI and a halt on World Bank loans, (Antara News, 2001). According to the NGO representatives I interviewed the World Bank refuses to engage in a dialogue with them regarding this issue, resulting in tension and frustration.

In his paper titled '*Criminal Debt in the Indonesian Context*' presented at an INFID seminar on Indonesia's Foreign Debt, Jeffrey Winters cites numerous sources that evidence the World Bank's knowledge of rampant corruption amongst Indonesian elites and officials (Winters, 2000). One of the most significant sources of evidence comes from a leaked confidential internal memo entitled "*Summary of RSI Staff Views Regarding the Problem of 'Leakage' from World Bank Project Budgets*", dated August 1997 (cited in Winters, 2000: 16). The memo estimates that at least 20% - 30% of budgets were corrupted by the government of Indonesia. The memo goes on to detail a number of ways in which this occurs. In 1997, as Winters made allegations of complicity to corruption against the Bank in Indonesia, another World Bank internal document was leaked. This second document confirmed the allegations made by Winters. It says:

In aggregate, we estimate that at least 20-30 per cent of GOI development budget funds are diverted through informal payments to GOI staff and politicians, and there is no basis to claim a smaller 'leakage' for Bank projects as our controls have little practical effect on the methods generally used. (Cited in Schwarz, 1999: 316).

The report also detailed the various methods used by GOI to siphon funds and the levels of abuse by government department. All fifteen NGO representatives that discussed World Bank corruption knew of the memo and were not surprised by its revelations. They expressed varying degrees of resignation and anger that the World Bank, whilst continuing to fund projects, was aware of routine corruption and abuse of position and power.

- ***The World Bank Responds***

Formally, the World Bank does not agree with the NGO position that Indonesia's debt is becoming unmanageable. In its 2001-2003 Country Assistance strategy the Bank states:

The Bank has explained [to Indonesian civil society organisations] that Indonesia is not eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) program, and that it cannot accept arguments puts forward that part of Bank debt should be cancelled as it would have been subject to corruption and should be considered "criminal" or "odious". (World Bank, 2001f: 18).

All 6 World Bank staff interviewed believed that the demands of the various anti-debt campaigns were unrealistic or a waste of time, and served to damage

relations between the World Bank and the NGO community. One of the interviewees reflected the general sentiment:

If you're not prepared to take a more sophisticated look then don't go around parroting something you don't really know about [debt]... the World Bank gets fed up with it. (World Bank staff member no.3, 2001).

The World Bank staff stated that Indonesia would never get debt relief and therefore believed it to be a dead issue. This position is reiterated in the 2001-2003 Country Assistance Strategy of the World Bank (World Bank, 2001f). Staff believed NGOs were only creating popular unrest for its own sake rather than making any positive attempts to promote change in Indonesia, as one staff member reported in an internal memo:

Even apart from the odious debt issue, external debt is a huge lightning rod for civil society criticism of the World Bank in the post-Suharto era. While their argument lacks sophistication, it has huge popular appeal and is increasingly attractive to politicians seeking power on a populist platform. The civil society argument is a powerful one... Although many of the anti-debt proponents have a slim grasp of the causes and effects of the debt burden ... invoking alleged consequences of unmanageable debt (collapsing health and education services and the watch phrase "Our grandchildren will have to pay") is extraordinarily powerful... The issue definitely isn't going away. (McCarthy, 2000a).

The staff portrayed an NGO sector that was naive yet powerful, both in terms of generating popular support and in terms of targeting issues that the World Bank found difficult to defend. However, in my interviews with some of the leading

NGO campaigners on the anti-debt issue I found that they had detailed knowledge of debt issues in Indonesia and indeed internationally. They were far from naive or mis-informed.

World Bank inaction in responding to the embedded and high levels of corruption in Indonesia is reminiscent of its conduct towards Suharto in the mid-1970s when McNamara led the Bank in ignoring the Pertamina scandal (see Chapter 2). Adam Schwarz explains the World Bank's position thus:

World Bank officials say they often raised the corruption issue with senior government officials, including Suharto, and always received the same answer: "Prove it". Whether the Bank was unable ever to provide solid evidence on a single case of corruption or, the more likely alternative, was unwilling to offend the leader of a country it considered one of its prime success stories, the result was the same. The World Bank consistently pursued a 'Don't ask, don't tell' policy. (Schwarz, 1999: 316-17).

In interviews World Bank staff appeared to take personally the criticisms of its past work in Indonesia. They appeared visibly uncomfortable with such topics and responded defensively. Bank staff expressed frustration that NGOs continued to raise debt issues at forums that the Bank had arranged to discuss other issues. One such forum was the CAS consultations which some Bank staff claim was turned into an anti-debt forum by NGOs (World Bank staff member no. 5, 2000; World Bank staff member no. 6, 2000). The interviewees were keen for NGOs to begin discussing the design, implementation, monitoring, and evaluation of future programs rather than investigating old programs which will not further the

development agenda in Indonesia. Some of these staff members stated that it was neither pragmatic nor in NGOs interests to keep insisting on investigations. Bank staff want for NGOs to be more 'realistic', in other words to see the situation as they themselves do. Here again, Bank staff were failing to understand their frustration in terms of the Bank's own limitations and capacity, perhaps because they are embedded in a workplace culture that grants no space for critical self-reflection. As well, staff lack power to negotiate with NGOs on these controversial matters, yet they are expected to engage them on contemporary projects. It is a lot to expect that staff can manipulate NGO concerns and interests into the narrow opening that has been granted by the World Bank. It has become evident that the World Bank attempted to manage NGOs in Indonesia through the engagement process whilst retaining a rhetoric of openness. It was the tension between rhetoric and reality that the Bank staff in Indonesia find so difficult to negotiate.

Social Safety Net

In 1998, in response to the human crisis unfolding in Indonesia as a consequence of the Asian economic crisis, the Government of Indonesia accepted structural adjustment loans totalling US\$ 43 billion dollars from the International Monetary Fund (International Monetary Fund, 1998). The loan was predominantly required to pay creditors and sure up Indonesia's balance of payments however they were attached to severe austerity measures, including the removal of subsidies on food and fuel (International Monetary Fund, 1998). Hence they added to the acute hardships many people at the wrong end of the market were facing in Indonesia.

To mitigate against the worst excesses of the crises the World Bank, together with the Indonesian government, designed a Social Safety Net (SSN) that was to be partly funded by a World Bank loan. The World Bank board granted approval for the Social Safety Net Adjustment Loan (SSNAL) on May 20th 1999. The loan was to be dispersed in two tranches of US\$ 300 million each (World Bank, 1999e). The first tranche was to be dispersed as soon as the government of Indonesia could demonstrate its compliance to the loan conditionalities. The government was attempting to get the first tranche dispersed from June of 1999, however the Bank Bali scandal uncovered deep-seated corruption in the banking sector and so the dispersal was delayed for another 3 months. The second tranche was to be dispersed sometime before December 2000 when it could be demonstrated that the second tranche conditions had been met. The second tranche was never dispersed and was eventually cancelled after a number of Bank extensions. The unused \$300 million was used in another loan agreement.

Briefly, The SSN included the following programs:

- Food security – subsidised rice distribution to eligible families.
- Employment creation and sustainable development – block grants directly to communities to undertake specific employment generating activities, and crisis employment programs for urban areas.
- Social protection:
 - Education – scholarships for individual students and block grants for eligible schools;

Health and nutrition – supplemental food, free medicines and medical care for eligible families.

- Information Dissemination – national clearinghouse for information
- Establishment of an Oversight Team (Tim Pengendali) and Independent Monitoring Team (IMT).

(World Bank, 1999e: 8-9).

Before moving on to the specific complaints and forms of resistance that NGOs developed regarding the SSN programs, I will discuss some of the aspects of negotiation for the SSN between the Government of Indonesia and the World Bank.

- ***Social Safety Net Loan Negotiations***

The task manager in charge of loan negotiations for the SSNAL was Lant Pritchard; I interviewed him for this research. Pritchard kept in contact with leaders in the NGO sector in order to both inform them of progress and gain their input. However it is clear that their input was always limited. According to Pritchard the actual design of the social safety net was largely in the hands of the World Bank staff. Government of Indonesia officials added technical details and also a few of the programs that they particularly wanted included in the SSN. These programs were criticised by World Bank staff I interviewed on the grounds that they only fuelled corruption, cronyism, and nepotism (KKN). World Bank staff also noted that the criticisms from the NGO community regarding the SSN were actually focussed on these particular programs. However they were allowed

in because otherwise the ‘good’ programs would not have been accepted (Pritchard, 2001). This evidences the Bank’s willingness to make trade-offs in its lending programs.

Lant Pritchard, and the Country Director Mark Baird, exploited various policy loopholes and misunderstandings to push the conditions that the World Bank wanted on to the Indonesian government. For example, once the government of Indonesia had complied with all of the conditions of the SSNAL agreement the World Bank had no legitimate reason to withhold the dispersal of the first tranche. However, just as the government of Indonesia had submitted to the Bank evidence of its compliance, the Bank Bali scandal broke. The World Bank country office used the fact that it had not yet informed the Indonesian government of the Bank’s positive assessment in order to have leverage over the government of Indonesia on Bank Bali and banking sector reform. The Country Director insisted that the government of Indonesia make the necessary reforms before the Bank disperse the first tranche of the loan (Baird, 2000). Coincidentally, the revelation of human rights abuses in East Timor leading up to the referendum there gave the World Bank a public relations gift. It was widely believed that the World Bank had stopped the SSN loan because of human rights abuses in East Timor when in actuality the Bank staff reported to me that they could not stop a loan on these grounds. However they did nothing to correct this impression (Pritchard, 2001).

This is only one example of many that were told to me in interviews regarding how the World Bank negotiated with the Government of Indonesia and tried to

get leverage through whatever mechanisms make themselves available. This example illustrates that the Bank is willing to exert influence and use its leverage over issues it deems serious, in this case the Bank Bali scandal. The privileging of some issues (eg. banking reform), over others (eg. corruption), revealed the Bank's biases and agenda. The Bank can use leverage to compel the government of Indonesia, however the Bank uses it on issues of its choosing.

- ***SSN and Community Based Monitoring (CBM)***

The Bank negotiated a role for Indonesian NGOs in the monitoring of the SSN at the village level. The loan money was not to be used for this purpose, however, the Bank negotiated with donors for these programs to be made available and funded. The Community Based Monitoring (CBM) programs contracted local NGOs for the purpose of examining the implementation of SSN in the local area and producing a report.

The Social Monitoring and Evaluation Research Unit (SMERU) secured most of the funds from major international donors to conduct CBM. SMERU was established in the aftermath of the crisis with funds from the Australian government aid agency AusAID (Pritchard, 2001). The World Bank negotiated with AusAID for this organisation to be established as an 'independent' NGO under the auspices of the World Bank. In effect SMERU was an arm of the World Bank. In other words, the World Bank established its own 'NGO' to conduct "independent' monitoring. SMERU was under Bank auspices but it was granted the appearance of independence in separate offices from the Bank. This

illustrates the Bank's capacity for manipulating (or 'managing') the development agenda and NGO environment in Indonesia.

NGOs that operate within local communities were contracted to monitor the SSN. Each NGO was required to give SMERU regular reports on the SSN implementation process in the local area that they were monitoring. These reports record the widespread corruption of funds and document other problems evident in the design of the SSN programs. They were widely distributed and made publicly available (Social Monitoring and Evaluation Research Unit, 2002). However, according to the Country Director, both the World Bank and the government of Indonesia did not officially accept or recognise them as evaluations of the SSN (Baird, 2000). The World Bank, although instrumental in financing the community based monitoring, created no channel for this wealth of information to reach the attention of bodies responsible for the SSN program. Consequently the information was not utilised to improve the SSN design or implementation (Baird, 2000). The work of hundreds of small NGOs and committees had no effect on the SSN and probably was never intended to.

- *Shifting NGOs from Outside-in to Inside-in Strategies*

In my interview with him Lant Pritchard, the lead negotiator for the SSNAL, expressed his concern that NGOs were employing 'outside-in' strategies, a concern widely shared amongst Bank staff (as noted previously). In order to promote more widespread use of inside-in strategies amongst NGOs the World Bank attached a number of conditions to the SSNAL that put NGOs into various

monitoring roles. Aside from the CBM described above, a national oversight team was to be established that included NGO representatives. However the initiative collapsed. According to Pritchard the World Bank was:

Trying to convince NGOs to move to inside-in strategies and work directly with GOI [Government of Indonesia] and we'll [the Bank] support it... In a democracy you'll have more leverage with inside-in strategies in the longer term. (Pritchard, 2001).

This adds to evidence of the Bank's role in influencing the political landscape in Indonesia through its attempts to manipulate the role of NGOs. The Bank envisaged a less confrontational NGO sector and saw its role as facilitating the 'maturation' of Indonesian NGOs for a liberal democracy. In so doing the Bank attempted to eliminate what it defines as 'bad' behaviour in NGOs (ie. behaviour that publicly challenges policies, organisations, and governments), and promote 'good' behaviour. The World Bank used the SSNAL in an attempt to manipulate the NGO sector in a manner that it deemed appropriate for Indonesia and in opposition to the choices that the advocacy NGO sector had made for itself.

- ***NGOs Objections to the Social Safety Net***

I will now turn to the objections expressed by the NGO sector to the SSN. Broadly categorised there are three concerns that NGOs put forward, including: the additional debt that SSNAL incurs; ongoing corruption evident in the use of SSN funds; and a myriad of SSN project design and implementation issues. I will briefly outline each of these.

As already mentioned, the NGO sector in Indonesia had, since the crisis, been heavily involved in an anti-debt campaign. The Social Safety Net Adjustment Loan added US \$600 million to Indonesian debt burden and many in the NGO sector could see no justification for this. It was the position of the campaign that Indonesia's debt burden was a consequence of the economic mismanagement in the years leading to the crisis, the crisis itself, and the various rescue packages. They argued that the people that gained the most from the loans were not the people that will have to pay off the debts, the Indonesian people would have to pay back the debt through lost revenue and austerity measures. NGOs argued, therefore, that the SSN was a short-term fix with long-term consequences, the balance of which is weighted against the mass of Indonesian people living in poverty. NGOs saw the SSN as a way to give with one hand and take with the other.

NGOs in Indonesia also reported widespread corruption of SSNAL funds. Most NGO representatives I spoke with claimed that the SSN funds promoted corruption. Corruption occurred in a number of ways. For example, the GOLKAR party in the general election used SSN funds in order to influence the voting of people. The UPC made claims, backed up by evidence, that the SSN funds were used in money politicking:

Money politics go hand in hand with corruption. Control mechanisms do not function and the public receives no transparent and accurate information, which

means that party officials and functionaries work together to use state funds and facilities for the interests of their parties and themselves. (Hafidz, 1999).

The UPC found that the SSN programs were being offered to people who would agree to vote for GOLKAR or, who would agree to join the particular party. Also, local leaders often deliberately misinformed farmers, claiming a win for their opposition would result in the funds having to be repaid to the government. SSN programs were being offered to families under the guise of GOLKAR or PDR (a party associated with a government minister) programs, and hence these parties were buying favours with voters. Further, the UPC found that both GOLKAR and PDR would use their connections and influence with local governments to issue program funds to their own families (Hafidz, 1999; INFID, 1999b). These allegations caused a great deal of tension amongst Indonesia's NGO sector, as many former NGO representatives had become members of the PDR. Indeed, its leader was a former NGO representative and the PDR had publicly maintained a close relationship to NGOs. The revelations of corruption and the widespread proliferation of red-plates caused the NGO sector to lose public credibility:

The deterioration of goodwill towards aid organisations is not sudden. Since the 1997 Asian financial crisis, NGOs have grown to number hundreds of thousands. Every week dozens pop-up and disappear. But as overnight operations multiply, so does fraud. World Bank consultant Sri Kuntary says she's tried to contact applicants for the Kecamatan, the district development project KDP, only to find "they disappeared." With them went public trust 10-10, in NGOs, says Hayanti Samekto of SMERU. (Djalal, 2001: 26).

It proved a damaging period for the NGO sector, caused, in their view, by the sudden onset of abundant SSN and donor funds. The crisis in public confidence makes evident the sector's cause for diligently guarding itself from co-option and corruption. Wardah Hafidz from the UPC laments the continual and rampant corruption in the era of *reformasi*:

In terms of political, social, and cultural loss, money politicking means that as a nation we are all stuck in the New Order culture that built up its power on money and terror. The people continue to be treated as an uneducated mass, an object for the manipulation and mobilisation of the political elite. Money politicking... prevents people from participating in public life and in public and state activities. Civilised justice and sovereignty for the people will become slogans to be despised. This means that steps towards a New Indonesia that upholds the principles of good governance will never be taken. (Hafidz, 1999).

One of the objections to the social safety net that many NGOs had (both advocacy and community development NGOs), was that the program created divisions and welfare dependency within communities that were previously self-reliant and relatively coherent. NGO representatives that I interviewed discussed their concern that the introduction of the social safety net into villages and communities discouraged people from developing community coping strategies and creative solutions to the crisis. They came to rely upon the government social safety net rather than their own capacity. NGO representatives spoke of the danger of poor villages and communities becoming dependent on a system that would be temporary, leaving them without resources for their on-going development.

NGOs noted that donor funded development projects of the past have channelled relatively smaller sums of money for community projects. These projects, by and large, have promoted community capacity building, small enterprise development, and community health and education projects. The social safety net operated very differently. It targeted poor households for assistance in very short-term projects. What's more NGOs argued that large sums of money were made available to districts that do not possess the organisational capacity to manage and deliver such sums for dispersal (INFID, 1999b). Mismanagement and corruption were almost inevitable.

The problems the World Bank faces in attempting to implement community-based, decentralised projects has been highlighted by Jonathon Pincus (2000) in his analysis of rural sector development projects. He argues that the Bank is so centralised, and its present structures so embedded in its large infrastructure lending history, that it does not have the operational capacity to implement such projects. In an example used to illustrate this point Pincus quotes one of the members of a small technical assistance team involved in an agricultural project: 'trying to buy lunch with a home mortgage' (Pincus, 2000:208). This sentiment would resonate with many NGOs I interviewed regarding the way Social Safety Net funds poured into local areas.

As a consequence of all of the above-mentioned concerns the Indonesian advocacy NGOs rigorously opposed the social safety net, it was one of the most controversial issues between the World Bank and NGOs at the time of my

research interviews in 2000. After having achieved little by way of engagement with the Bank regarding the social safety net, most NGOs in Indonesia (community development and advocacy), remained largely unconvinced by the rhetoric of ‘partnership’. Community development NGO representatives tended to take an ‘inside in’ approach, preferring to gently urge the Bank towards change, they recognised that this may take some time. In contrast, advocacy NGOs employed outside-in strategies in the form of various public campaigns, this included calls to have the social safety net cancelled from social safety net recipients, public rallies, media campaigns, and international advocacy (BIC: Problem Project Alert, 1999; Hafidz, 1999; Anti-Debt Coalition of Indonesia, 2000; Antara News, 2001; Djalal, 2001). World Bank staff claimed that it was this NGO opposition that led to their cancelling the second tranche of the SSNAL. However, the government of Indonesia did not comply with the loan conditionalities in the allocated timeframe, even after the World Bank had extended the timeframe a number of times. The government became less interested in the SSN because of the negative reception it was receiving from the public (a more potent force in the new democratic era), from NGOs, and in the media, hence the loan was permitted to roll over into a new loan. It was not the World Bank but the government of Indonesia that, in this instance, acted responsively to NGOs.

- ***Social Safety Nets and the World Bank’s Development Agenda***

The World Bank is now supportive of the adoption of social safety nets to better align and integrate Asia’s economic and social welfare systems with those of

other regions (World Bank, 1999c). The World Bank took the lead in promoting the development of more standardised social policy in Asia through the Manila Social Forum (a series of discussions held in the immediate post-crisis years). The Manila Social Forum was established by the Bank as the economic crisis throughout Asia began to reverse the poverty alleviation gains of the previous decades. It brings together the World Bank and the World Bank Institute, with the Asia Development Bank and its Institute, and the donor community, in a coordinated effort to develop Asia's future social policies. NGOs were not given an open invitation to attend the social forum, nor were they involved in its convening.

A crucial factor in securing neo-liberal economic objectives is social and political stability. Indeed, the political stability that Suharto ensured was vital to securing a profitable environment for capital controllers. The World Bank sought to encourage a political environment that attracted capital. In the post-Suharto era this requirement has not changed, stability is still vital. However, in a relatively liberal political environment it needs to be achieved differently. In the new democratic environment social safety nets may be perceived as able to produce the political stability required by capital controllers and the neo-liberal development agenda.

As well, social safety nets offer some recompense to the Indonesian people in the face of the crash of the country's World Bank sponsored economic 'miracle'. Social safety nets thus act as compensation for adjustment (World Bank, 1999e). The Vice-President of the World Bank in the East Asia and Pacific region, Jean-

Michel Serverino urged the high level participants at the Manila Social Forum to make social policy a priority because:

The economic crisis has burdened the peoples of Asia, especially the poorest, and it may threaten necessary reforms for economic recovery. We observe anxiously social unrest and wonder if structural reforms will be jeopardised. It is critical that social suffering is alleviated not only for human reasons, but also for the sake of a rapid macro and micro economic recovery. Indeed, the World Bank has had this double conviction since the early days of the crisis, which has justified an early intervention in social policy during the crisis. (Severino, 1999c: 3).

The Bank's agenda is made clear. Social policy is of value because it quells unrest and secures the right environment for the Bank's economic objectives.

Country Assistance Strategy

The Country Assistance Strategy (CAS) is a strategic planning tool employed by the World Bank in each of its missions around the World. A CAS is prepared every three years for each debtor country; it details the World Bank's objectives and priorities for the following three years. The process is usually prepared with the participation of the government only, however in preparing the latest CAS for Indonesia, released in February 2001, the World Bank in Indonesia organised consultations with civil society organisations, (the consultation process is outlined in the previous chapter). The World Bank contracted an NGO, LP3ES (the Institute for Social and Economic Research, Education, and Information), to conduct a consultation process and document the findings and recommendations.

Its report, *Report on Public Consultation with Civil Society Organisations* (LP3ES, 2000a) was included as an appendix to the World Bank Country Assistance Strategy. The report of Civil Society recommendations was authored by a group of community development and advocacy NGOs in Jakarta. They took the input from the broader consultation process and put it together with their own input to formulate the report, so NGOs had decisive input into the recommendations. The Bank also added as an appendix its responses to each of the 67 recommendations of Civil Society.

The NGO representatives I interviewed were generally highly sceptical of the World Bank CAS consultation process. The more conservative community development NGOs welcomed the dialogue even though they felt suspicious that the World Bank would not take on board their concerns (NGO interviewee No. 18, 2000). The less conservative community development NGOs and advocacy NGOs that attended the CAS consultation believed that the Bank implemented a transparently shallow consultation process, designed only to win public credibility. The CAS consultation process had, for four of the five NGO representatives in my sample who attended it, confirmed their lack of confidence in the World Bank. An additional three NGO representatives did not attend because they believed it would be a waste of time. For some World Bank staff this confirmed their allegation that the NGO community would never be satisfied with what the World Bank did (World Bank staff member no.4, 2000; World Bank staff member no.3, 2001). The legitimacy of the process and its outcomes remains a controversial issue for both World Bank and NGO staff.

▪ *Contradictory Civil Society Positions?*

The NGO report of consultations demonstrates that the NGO sector is torn between two apparently contradictory points of view on a fundamental issue (LP3ES, 2000a). On the one hand, many NGOs advocated for increased intervention from the World Bank on a range of issues including implementation and monitoring of programs, compelling the government of Indonesia to push ahead with the reform agenda, and improving civil society relations with the government and with the Bank. On the other hand, NGOs advocated for at least a partial withdrawal of World Bank intervention in Indonesia in all of the above areas. They argued that withdrawal was necessary to enable Indonesia to free itself from the economic and political servility that accompanies debt and foreign intervention. This would then allow Indonesia to build its democracy, manage its own economic affairs, and emerge from the shadow of Suharto to shape its own agenda.

I spoke with an NGO representative from INFID about this apparent contradiction. He firstly pointed out that differing opinions amongst NGOs have always existed in Indonesia – particularly between community development and advocacy NGOs. As well, he argued that the two positions could work together well. The NGO voice that calls for the World Bank to be dismantled in Indonesia is a long term project that may or may not succeed but at least encourages the Bank to reflect on its role and place. This position encourages the Bank to always be mindful of the concerns of NGOs in relation to such issues as debt, transparency and corruption. The NGO voice that calls for increased World Bank

intervention in Indonesia is not seeking an increase or continuation of past programs and processes. It is seeking greater accountability from the Bank, and calls upon the Bank to employ its influence to produce reform in Indonesia. It also wants to see a Bank that is more inclusive of NGO opinions. In other words, this voice starts from the position that the Bank will remain in Indonesia for the foreseeable future and seeks reform of the way the Bank operates. In essence both positions seek to further Indonesia's reform agenda.

▪ ***World Bank Responses to Civil Society Recommendations***

The World Bank formally responded to each of the 67 recommendations that were drawn out of the consultation process. These recommendations came under 7 headings: economic recovery and poverty alleviation (22 recommendations); education (4 recommendations); labour issues and employment (8 recommendations); building good governance and combating corruption (15 recommendations); the issue of debt to the World Bank (6 recommendations); the participation of people and NGOs in the needs assessment, design, implementation and monitoring of World Bank financed projects (8 recommendations); others (4 recommendations).

The Bank gave a brief written response to each of the recommendations. It agreed with some recommendations, made broad interpretations of other recommendations – perhaps in order that it might find some common ground - and put forward its reasons for disagreeing with others. The following pages critically analyse some of the World Bank responses to Civil Society.

Recommendation no. 5 argued against the privatisation program that the Bank had compelled the government to put in place in the post-crisis era:

Not all SOEs [state owned enterprises] should be privatised, because several sectors that deal with public services should be under the responsibility of the state, namely water, electricity, telephone and so forth. The private sector should not totally control the industries that affect the public at large. (World Bank, 2001f: 3).

In response the World Bank wrote:

Experience around the world shows that privatisation of public services result in better quality services at lower cost to consumers. SOEs in many cases have become too big and inflexible to be able to be part of the modern efficient world. Despite this, privatisation still needs to be carried out in such a way as to ensure that a low cost and high quality service is delivered to consumers. The Government needs to make sure that there is adequate independent regulation of public service providers, that there is adequate competition and no abuse of monopoly power, and most importantly that consumers have a say in the way these services are delivered. The Bank cannot entirely accept this recommendation. Each case is different and must be evaluated on its own merits based on public interest. (World Bank, 2001f: 3).

The Bank is in disagreement with the Civil Society recommendation here. In the post-crisis era the Bank and IMF insisted upon privatisation as a loan condition. The Bank clearly will not be moved on this issue; however it fails to offer any evidence of the success of privatisation in other countries. The Bank relies on the

neo-liberal myth that the private sector is more efficient and effective in providing essential services. Yet evidence regarding privatisation is mixed at best. Often privatisation has led to increasing costs for services to poor people and a decline in service quality and geographical spread. As well, privatisation has often been complicated by corruption by ruling elites who cash in on the sell off of government assets (Leys, 1996; Martin & Schumann, 1997; Stiglitz, 2002). The final sentence of the Bank response to this recommendation state, “Each case is different and must be evaluated on its own merits based on public interest”. But who and how is public interest defined? The CAS Civil Society consultation, from where this recommendation emerges, surely constitutes public input that is capable of reflecting public interest. What this example demonstrates is that the World Bank position in regards to its neo-liberal economic growth framework will not be shifted or transformed by civil society input or their perception of public interest.

Further review of the World Bank responses to the recommendations reveals that they lacked detail, relied upon rhetoric and unsubstantiated theory, or manipulated the intention of the recommendation to make it fit better with current or future World Bank practices. Often the responses were vague and sought to put forward the Bank’s own position regarding the importance of the private sector and economic growth to poverty alleviation. For example, Civil Society recommended that the Bank grant:

Loans on developing ... community based estate crops... and provide loans for economic recovery that are focused on people (people-based economy)... to restore the people's economy and reduce poverty. (World Bank, 2001f).

The Bank had made early warnings to its Board in its interim CAS report regarding the dangers of calls for a peoples-economy (World Bank, 1996b: 2). However it did not make such a blunt warning in its response to NGOs. In its response it side-stepped the issue but reiterated the importance of the private sector to poverty alleviation:

We see the private sector defined broadly as including small producers and the self employed taking the lead in the productive sectors and in export oriented production... Small and medium enterprises are indeed critical to an effective poverty reduction program. (World Bank, 2001f).

The Bank was careful not to confront the issue of a 'people's economy', preferring instead to reframe it in free market rhetoric.

NGOs disdain for structural adjustment was expressed clearly when they recommended that:

Lending schemes in the form of structural adjustment loans must be abolished, because not only does this type of loan give the government more freedom in its use, as well as a chance for misuse, of funds, it is more important that the loans will impose a fundamental change in Indonesia's economic structure to be more liberal,

through privatisation, efficiency, decreasing subsidies, etc. and that will undermine the people's economy. (World Bank, 2001f: 16).

The Bank's response to this outright rejection of its development agenda was to firstly argue that parliament and civil society should be more vigilant in preventing abuse of funds, and then to offer its economic argument in support of neo-liberalism:

Policy reforms loans may indeed recommend measures such as privatisation and reduction in subsidies that would increase the efficiency of public expenditures and require higher allocations of savings from such measures to be directed to the poor. Privatisation, when undertaken in a transparent manner, and when it does not substitute public monopolies for unregulated private monopolies, can result in the release of public resources for pro-poor expenditures on health, education and welfare. Many subsidies, particularly those on fuel, tend to be regressive and hurt the poor while subsidising the rich. Such expenditures are better directed at pro-poor public expenditures. Thus, we do not agree that such loans would undermine the people's economy. To the extent that they result in policies that promote growth and employment, they create a positive environment for the poor and the vulnerable. (World Bank, 2001f: 17).

Once again no concrete evidence is given, the rhetoric draws straight from neo-liberal theory and its own development agenda. The response demonstrated that the Bank's development agenda is non-negotiable, lending evidence to the NGO belief that consultations (and other inside-in strategies) are cosmetic with little or no impact.

In relation to labour issues and employment the Civil Society report recommended the strengthening of labour laws and unions (LP3ES, 2000a). The World Bank rhetoric was sympathetic in its responses but declined any role for the Bank in compelling the government to make legal and political reforms in this area. For example, the Civil Society report recommended that Bank loan conditions should include labour standards, particularly in relation to respecting the freedom to organise and other widely held international labour standards as expressed by the ILO (International Labour Organisation). The World Bank pointed out that:

1) It is beyond the World Bank's mission to act as an enforcement agency for international law or human rights declarations; 2) the Articles of Agreement of the IBRD stipulate that loans must be made with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations. While research on child labour, gender discrimination, and forced labour has clearly shown detrimental development impacts, studies on the development impact of unions and collective bargaining yield mixed results. The World Bank can advise a change in labour policies (of a non-political nature) as part of general economic reforms but only if there is evidence that such changes increase productivity and economic growth; 3) a promotional rather than conditional approach is more in line with (a) the ILO's 1998 Declaration on Fundamental Principles and Rights at Work and (b) the Comprehensive Development Framework approach of the World Bank. (World Bank, 2001f: 10).

The World Bank in Indonesia is here arguing that certain kinds of labour and conditions are unacceptable (eg. child labour) because they have "detrimental development impact", in other words, they are bad for economic growth. Aside

from the fact that these practices flourish in Indonesia where economic growth was once an ‘Asian miracle’, the Bank employs economic growth as its measuring tool; if it benefits economic growth it is good and if it doesn’t it is bad. Therefore it is awkward for the Bank to support unions or collective bargaining in the face of free market economic dictates that urge individual bargaining and deregulation of labour standards and wage rates.

The ILO argues that “the full respect for basic labour standards and the fostering of a strong and free labour movement”, together with other methods of social protection, are vital to overcoming the Asian economic crisis, raising productivity and competitiveness, and to the transition to democracy (International Labour Office 1998). The World Bank does not agree and falls back on one of its Articles of Agreement to present the rather hollow argument that labour organising issues are not economic matters but political matters. This then acts to justify the Bank’s conclusion that it is not mandated to interfere in union and labour issues. The Bank did not allude to the fact that it had, together with the IMF, urged the government of Indonesia to further deregulate labour standards to deal with the economic crisis (International Monetary Fund, 1998). This particular Article of Agreement has been used to justify Bank action (or inaction) in numerous instances where, for example, the Bank has loaned and supported authoritarian regimes such as Suharto’s.

The Bank employs and ignores its Articles of Agreement selectively in order to pursue its development agenda. David Budhoo argues that:

There are, various Articles of Agreement in the constitutions of the World Bank and IMF that have not been implemented at all, simply because implementation would have improved the position of developing countries vis-à-vis the staff of the IMF and World Bank. (Budhoo, 1994: 24).

The Bank's selective use of its Articles of Agreement in its response to the report of Civil Society consultations in Indonesia demonstrates that, rather than reforming itself in Indonesia, the Bank is holding fast to its neo-liberal development model.

In recommendation number 64 the report Civil Society asked that the World Bank and government of Indonesia to stop referring to Bank "loans" (*pinjaman*) as "assistance" (*bantuan*) because it misleads the public. Civil Society argued that recipients believe that the money they are receiving for projects is aid, not realising that it is actually a loan that needs to be re-paid by the national government. The Bank's response acknowledges only "the subtle difference between the terms". In refusing to change its misleading rhetoric for describing loans the Bank argues that "assistance" better captures the Bank's role in Indonesia because: a) the loans were highly concessional compared to market rates; b) the Bank offers technical and advisory assistance to government of Indonesia, and; c) the Bank coordinates donor activities free of charge, (World Bank, 2001f: 19).

In its 66th recommendation Civil Society sought greater participation for itself in all aspects of the Bank's work, to this end it recommended the establishment of

an “*NGO Working Group on the World Bank*” (LP3ES, 2000a). The recommendation pointed out Civil Society’s desire to have more say in macro-issues such as debt negotiation. The Bank suggested instead that civil society should form issue-based groups, each focussed on specific topics such as micro-finance and SMEs (small and medium enterprises), corruption, and so forth. The Bank argued that issue focussed groups would be more effective. However this suggestion from the World Bank introduces certain dangers for NGOs in accepting such a strategy. In breaking-down civil society concerns into ‘issue’ areas NGOs could become confined to the relatively limited terrain of addressing micro issues and technical matters. In so doing they would be in danger of losing their critical focus on the macro issues such as structural adjustment lending and debt issues. The Bank’s suggestion limits NGO participation.

The World Bank’s response to this recommendation reveals its attempt at disempowering NGOs and manipulating their future role by constructing narrow and limited pathways for their participation. In the CAS for 2001-2003 the Bank took this recommendation of Civil Society and re-wrote it, putting its own ideal forward as if it were the same as the one Civil Society recommended:

As a follow-up to the national consultation meeting, the Bank plans to support joint Bank-CSO working groups on selected topics (eg. civil society involvement in Bank projects, micro-finance), provided there is enough interest on the part of CSOs. (World Bank, 2001f: 17).

This suggestion completely changed the nature of the original recommendation and, if followed, dilutes Civil society's potential for impact on broad issues. Jessica Mathews (1997) warns that NGOs representing special interests often overlook the 'big picture' in favour of their particular area of specialisation:

A society in which the piling up of special interests replaces a single strong voice for the common good is unlikely to fare well. More and more groups promoting worthy causes but narrow causes could ultimately threaten democratic government... and the international system may represent more voices but be unable to advance any of them. (Mathews, 1997).

The danger for Indonesian NGOs is that their interests are made so narrow as to replace their unity on large issues such as debt. Disempowering NGOs is furthered by, once having channelled NGOs into narrow issue based interests they may be more easily engaged as service delivery contractors.

This critical examination of the World Bank's responses to Civil Society recommendations for the CAS finds that the World Bank will not negotiate its development agenda. The consultation process demonstrates that the Bank is willing to extend some limited and vague defence of its neo-liberal economic position to civil society groups, but will neither engage them fully nor take on board their recommendations.

There are instances in the CAS consultation report where the Bank has made it appear that civil society and they share a common objective and/or strategy, but the affinity is exaggerated and the response manipulated to give the appearance of

mutual agreement. The CAS reflects a rhetoric that does not acknowledge fundamental opposition; it glosses over difference and presents a picture of unity in purpose. This goes a long way to explaining why many civil society groups were sceptical of the CAS consultation process. Of the eight NGO representatives that discussed the consultations in interviews all eight reported a lack of confidence in the process and its ability to bring about change to the World Bank's agenda. Many of those NGO representatives that participated were left with the conclusion that the process was a public relations exercise.

- ***Critically Examining the Country Assistance Strategy***

I now turn from the report of Civil Society and World Bank responses to it, to a critical examination of the Bank's actual Country Assistance Strategy. This section briefly examines some aspects of the World Bank's 2001-2003 Country Assistance Strategy, again looking at various statements and commitments of the World Bank, particularly as they relate to civil society.

In its 87th point the CAS commits the Bank to extending efforts to engage civil society. It goes on to outline a role for NGOs in monitoring project implementation in order to reduce corruption (note the substituting of NGOs for civil society), (World Bank, 2001f: 430). The Bank argues that it is encouraging this watchdog role in response to NGO and wider concern for corruption in Indonesia (Thoenes, 1999; Baird, 2000). In channelling NGOs into a role of watchdog on project implementation the CAS is offering NGOs a role in making effective its development agenda. Whilst this role may be creatively used by

NGOs to address some of their concerns, for example the lack of grassroots participation in program design, it is limiting the space for those NGOs that seek to challenge the politics and economics of the development agenda. Indeed, it draws them into the Bank's project.

The Country Assistance Strategy for Indonesia includes much rhetoric about combating poverty, reflecting Wolfensohn's re-orientation of the Bank toward 'pro-poor' policies:

The overarching goal of the World Bank Group in Indonesia will be to support efforts to reduce poverty and vulnerability in a more democratic and decentralised environment. (World Bank, 2001f: 2).

The CAS goes on to state:

This will require attention to government policies that promote broad-based economic growth as a key requirement for poverty reduction. At the same time, the quality of growth matters to make it sustainable and genuinely pro-poor. (World Bank, 2001f: 19).

In its 'pro-poor' policies the Bank places its faith in its neo-liberal economic development model. Other than this connection there is very little by way of substance in the Bank's strategy to suggest it is focussed on poverty alleviation. Rather, poverty alleviation is a hoped for outcome of its wider economic strategies.

The CAS puts forward three possible scenarios for its lending portfolio in Indonesia until end of financial year 2003: a base case scenario, a high case scenario, and a crisis scenario. In each instance the Bank's lending depends upon government progress on the reform agenda. The crisis scenario, which is not considered very likely, warns that in case of major 'policy slippage' on the IMF's reform agenda (ie. government not following through on structural adjustments) then the Bank may halt all new lending until the government response improves. As well:

A similar outcome could result from political instability or a widespread deterioration in law and order. In such adverse situations, the Bank would cease all new lending until base conditions have been restored. (World Bank, 2001f: iii).

This demonstrates that the Bank grants its highest priority to both structural adjustment and political stability. These two conditions must remain favourable in order to restore the investor confidence of capital controllers, hence they invoke a strict and grave response from the Bank; the cessation of lending. However, poverty reduction, anti-corruption, democratisation, and human rights issues take no such priority. The high case scenario is the Bank's preferred option and signals the Bank's willingness to provide more lending to Indonesia (up to approximately \$1 billion per year) on condition that there is greater political stability and aggressive implementation of structural reforms (World Bank, 2001f: 12).

The base case scenario (also referred to as the “muddle-through” scenario), is considered the most likely. It is not the Bank’s most desired scenario because of its concern for the government’s slowness in implementing reforms and promoting macro-economic stability. It envisages a core lending program of US \$400 million a year, less than one third of pre-crisis levels of around \$1.3 billion a year during FY90-97. The base case scenario is summarised in this way:

Minimum conditions for the base case would be maintenance of macroeconomic stability, including prudent debt management and progress on asset sales and privatisation, including fiduciary safeguards for delivery of public services with decentralisation, and establishment of organisational arrangements, scope, process, and schedule for developing a broad-based poverty reduction strategy. (World Bank, 2001f: iii).

This scenario too prioritises neo-liberal economic conditions before poverty reduction strategies. It only requires the government to develop a ‘schedule for developing a broad-based poverty reduction strategy’. The government does not actually have to implement the strategy or even write it.

The Country Assistance Strategy acknowledges the high profile and leading role of the World Bank in Indonesia:

The Bank group plays an important coordinating role among donors in its role as chair of the Consultative Group for Indonesia (CGI). And key bilateral donors look to it to take the lead on the development policy agenda. The Bank also co-leads donor efforts in governance reform (with special focus on legal, anti-corruption, and civil service reforms), competition policy water resource management, and

forestry. Even where it is not in the lead Government and donors rely on it for strong analytical and advisory support (decentralisation, SMEs, corporate governance, privatisation). The Bank plays a key role in Government's Extended Arrangement with the IMF, working closely with the IMF and ADB. And its relationship with key policy makers continues to be good – although where it differs on policy it tends to do so more openly than in the past. The Bank's comparative advantage is based on a strong presence in Jakarta which allows a fast response, a good analytical base on the economy, sectors, and key development issues (poverty, governance, public expenditure management), a good understanding of the implementation environment through the Bank's large and varied project portfolio, a capacity to channel considerable financial resources through lending and trust funds. (World Bank, 2001f: 18).

In other words, the Bank understands Indonesia well (and therefore understood corruption, authoritarianism, political repression and human rights abuses). Is the dominant player in setting the development agenda, has a close relationship with government technocrats, and has considerable leverage to ensure wide-ranging reforms are met. The above quote points to numerous levers of power and influence at the disposal of the Bank, even though the Bank staff, in interviews with me, denied that the Bank had much by way of leverage.

In Conclusion

The advocacy NGO sector believes that the World Bank lacks either the expertise or will to investigate, apologise for, and compensate for its actions in the past. The World Bank's refusal to engage seriously with NGOs, or to act upon any of their suggestions in regard to these issues, left the NGO sector harbouring a great

deal of anger towards the World Bank. The CAS consultation process did nothing to improve this situation, indeed it may have damaged the relationship further.

For their part, the World Bank staff interviewed felt that NGO critics were not practical or realistic in their demands of the World Bank. They were defensive and sometimes clearly annoyed at the persistence of NGOs on these issues. Staff tended to see NGO attachment to these issues as a weakness and further evidence of NGOs immaturity and naivety regarding international relations, economic and financial imperatives, and other broad economic and political factors. They failed to reflect critically on the Bank's own policies, processes, and development agenda to explain the on-going demands of the NGO community. NGO attempts to draw the Bank into a critical appraisal of itself and its history in Indonesia had been ignored.

Paul Nelson's observation, drawn from his study of international Bank-NGO relations, points to an essential dilemma in Bank-NGO relations that all of these controversial issues spring from:

While the Bank's relations with NGOs puts pressure on several of these organisational traits – its imperative to 'move money', its myth of apolitical development, and the insular information system of its organisational culture – there has been little change at these key pressure points. (Nelson, 1995: 2).

The Bank cannot investigate controversial issues such as Kedung Ombo, or effectively collaborate with NGOs in vital areas of concern because to do so

would hit at the heart of its development model and fundamental neo-liberal principles. The engagement of NGOs assists in organisational myth making and enables the promotion of a discourse on ‘partnership’ and ‘unity’ where none in fact exists. The paradox is that it is this very engagement which also threatens to expose the myth and at least rattle the Bank’s fundamental principles. The next chapter further exposes Bank myth making, this time in relation to issues of gender justice.

CHAPTER 7 – GENDER MATTERS

The perspective of poor and oppressed women provides a unique and powerful vantage point from which we can examine the effects of development programmes and strategies. (Sen & Grown, 1987: 23).

Introduction

This chapter examines the construction of masculinity and femininity within World Bank theory and practice and as an institution. The Indonesian case reveals the gendering of the relations between NGOs and the World Bank and the use of gendered scripts to create and embed relations of subordination and domination. As well, the case study exposes the vast gaps between World Bank rhetoric on taking gender and women's interests seriously, and its practice. The chapter explores and seeks to understand the different dimensions to a critical analysis of gender matters.

In earlier chapters I have argued that the World Bank is influential, and at times decisive, in directing the broad political and economic landscape in Third World countries. I have been critical of that direction and demonstrated the uses the World Bank has found for NGOs in pursuing that agenda. In setting its development agenda and making its interventions in the developing world the World Bank impacts upon social relations, including constructions of gender and gender relations. Indeed, its development agenda has been founded upon oppressive assumptions about women's labour and gender relations more

generally. Yet the Bank has only recently acknowledged its implication in gender matters, and then perhaps only in rhetoric.

This chapter begins by exploring the development of feminist critiques of ‘development’ and World Bank’s programs. It then looks briefly at the women’s movement in Indonesia, dispelling the commonly held misconception that no such movement exists. Thereafter I examine evidence from my fieldwork research to explore gender matters at the World Bank in Indonesia, including its ability to construct programs that redress women’s oppression and the gendering of relations between NGOs and the Bank.

From Women in Development to Gender and Development

- ***Enter Women in Development (WID)***

Perspectives and frameworks for analysing women and gender in development policies and practices had their beginnings in the 1970s with the publication of Ester Boserup’s *Women’s role in Economic Development* (Boserup, 1970). Boserup identified a number of ways in which development programs, and the opportunities they brought, had routinely excluded women and/or negatively impacted upon their lives. Boserup’s book became influential in development circles, particularly within the women in development groups of the United Nations. The US State Department was also influenced by the arguments, particularly after having heard persuasive testimony from some women’s organisations in 1973. This led to an amendment of the US Foreign Assistance

Act that required the US Agency for International Development (USAID) to give attention to programs that integrated women into the national economies of foreign countries (Tinker, 1997). The high profile afforded Boserup's analysis had opened the way for many feminist researchers to explore her assertions and led to the formulation of a growing field and politics regarding women and development. Feminism's longstanding ability to link research with activism saw the movement take to the international stage, motivated by the desire to change the dominant development agenda that privileged certain men.

The seventies also saw the re-emergence of a feminist voice from the Third World that also challenged the male-stream development agenda. Pressure was then placed on the United Nations to spearhead a campaign that analysed the impacts of development programs on the lives of women. The various UN conferences for women since 1975 strengthened the international network of feminists that were concerned for women and gender justice in development (Kardam, 1994; Goetz, 1997; Tinker, 1997). The emerging body of literature and policy recommendations became known as 'Women in Development' (or WID).

However, the WID discourse has been appropriated by the development agencies and multi-lateral institutions that have changed its nature, as Sarah White points out:

On the one hand, it represents a fundamental attack on the universalist claims of development discourse: what was said to hold for all was in fact scandalously particular, excluding the experience of one half of the human race! On the other

hand, as it has become incorporated within policy making, gender appears as a handmaiden to the “master discourse” of development, its political challenge domesticated into a technical concern. (White, 1999: 117-18).

Appropriation of its discourse notwithstanding, the WID discussion evolved over its history from the early seventies as different feminist critiques emerged in conversation with one another. Hence the policy framework changed and strengthened to respond to criticism and appropriation.

Early Women in Development critiques such as Boserup's were born of 'modernisation' development theory. Modernisation theory emerged in the USA in the 1950s and '60s and came to dominate development thinking. Development was to be achieved by modernising the Third World so that it could 'catch-up' to the First World:

They believed that in the transition from 'traditional' to 'modern' forms of social organisation, already completed in the industrialised West, the complex interactions between social change and economic development, mediated by politics, could be traced with some precision... Modernisation theorists envisaged modern values being diffused through education and technology transfer to the 'elites' of the periphery. (Leys, 1996: 9-10).

Modernisation saw the 'problem' of the Third World as that of 'tradition' and hence, in theory, the First World could lead the Third World on the path of progress. Geeta Chowdry summarises:

According to modernisation theorists, the world is divided into two types of societies, traditional and modern, and the goal of all traditional societies is to become modern. The process of modernisation presumably will lead traditional societies to modernity if “traditional” and “primitive” (non-Western) values are replaced by “modern” (Western) ones. Attributes associated with modern/Western societies are positively valued. Modern societies are seen as rational, egalitarian, achievement orientated, with a high degree of social mobility. Traditional societies are defined as fatalistic and hierarchical... It is suggested that “outside influences” – that is, the West – will help bring about the economic, political, and psychosocial change necessary for modernisation through aid, trade, and investment. (Chowdry, 1994).

Implicit in the theory was its goal of capitalist development for the Third World. The theory equated Western style capitalism with modern development. It was therefore at one with the interests of US foreign policy and its desire for the Third World’s integration into the capitalist economic and ideological camp at the height of the Cold War. Hence modernisation theory can be viewed as a vehicle to serve US foreign policy interests. Modernisation theory was presented as scientific fact, that the Third World would emerge from poverty if it followed a policy trajectory specified in development planning. Thus it was adopted by development institutions such as the World Bank and because it was based on economics, economics apparently being a science, it was defended as apolitical. Although modernisation theory has given way to neo-liberalism, the Washington consensus, and the post-Washington consensus, the myth of apolitical development remains a common thread, as does the use of theory to serve particular interests.

Women were invisible in modernisation theory except occasionally when they were perceived as the bearers of tradition and so obstacles to development. The theory did not attend to any social divisions (be they class, culture, or gender), as if divisions were not present or would not be affected by the practical application of the theory (Pettman, 1996). For these and other reasons development often did not occur, or did so only at considerable costs. Hence it generated rigorous critiques. The theory was challenged, firstly by ‘dependency’ theorists who argued that modernisation theory actually undermined the status of poor people and nations whilst serving the interests of elites. Dependency theory emerged in the 1970s from Latin America but soon came to be applied as a critique of much modernisation theory informed development throughout much of the Third World:

Dependency theory inverted many of the assumptions of modernisation theory. It saw metropolitan policy as maleficent, not beneficent; inflows of foreign investment were seen as giving rise to much greater interest and profit outflows; ‘modernising elites’ were really compradores, or lumpen-bourgeoisies, serving their own and foreign interests, not those of the people; world trade perpetuated structures of underdevelopment, rather than acting as a solvent for them. (Leys, 1996: 12)

Then feminists began to make their voices heard with their critique of the modernisation development agenda. Nuket Kardam writes:

Most development theorists writing in the 1950s and 1960s assumed that industrialisation would liberate women, offer them employment opportunities, and

make them citizens of young democracies in the Third World with rights equal to men's. Since the 1970s however it became increasingly clear that most development projects had either ignored women or had made their situations worse. (Kardam, 1994).

Writers such as Boserup (1970), Irene Tinker and M. Bramsen (1976), and Barbara Lewis (1981), demonstrated the ways in which development projects in the agricultural sector, for example, actually undermined the status of women. The modernisation development project rested upon the assumption that women's labour was cheap or free, and positioned women in their reproductive roles rather than as economic producers (Kardam, 1994). WID analysis exposed the bias for men's development and the resultant displacement or exploitation of women.

- ***Feminisms and WID***

Feminist theories and critiques are so diverse that it is more accurate to refer to feminisms than to feminism in the singular. Feminist and women's analysis to gender and women's issues very widely, and are manifest in the very different approaches to WID.

In 1989 Caroline Moser put forward a widely used categorisation for understanding the different manifestations of Women in Development (WID) (Moser, 1989). She outlined five different WID approaches, although I would argue that not all are feminist. *The Welfare approach* was the earliest and viewed women primarily in their reproductive roles and as passive recipients of

development programs. For example, population control programs targeted women and implicitly blamed poverty on women. For some time this was a favoured approach of the major international aid donors.

The Equity approach came to prominence in the UN decade for Women and voiced concern for gender equality primarily in law and institutional matters. The target for change was the legal system (promoting equality in property and political rights), and the elimination of gender based discrimination. The goals were given expression in development projects that focussed on women's organising as a means to promoting gender equality. This approach met with resistance at national and international levels as women sought to redress institutionalised gender power imbalances. Although activists, community groups, practitioners, and academics have taken up the equity approach, it has rarely been embraced by mainstream international aid donors.

The Anti-Poverty approach emerged in the 1970s and reflected the increasing concern in development dialogue for meeting the immediate needs of people in poverty. Women were identified as the 'poorest of the poor' and hence development programs sought to increase women's participation in the workforce and improve their capacity for generating income through small enterprise activities and the like. This approach was very popular with donors and aid agencies alike because it did not undermine the economic growth model of development. However it often did not bring about its intended gender equity results because it failed to address differential power relations.

The fourth is *The Efficiency Approach* that emerged in response to the debt crisis and the structural adjustment programs of the 1980's. Development became concerned with economic growth and efficiency and women became instrumental to achieving that objective. Women were perceived as more efficient providers of development outcomes and hence targeted for development programs. Their 'development' was understood as a resource to be tapped for economic growth and increasing production. Development planners took on board their knowledge of the local community and environment, and their skills utilised, in order to increase the success of development projects.

The fifth approach emerged from the mid 1980s and is *The Empowerment Approach* (Moser, 1989). It was initially promoted by a Third World women's network DAWN (Development Alternatives with Women for a New Era), in the context of the 1985 Nairobi conference (DAWN, 2002). The empowerment approach focuses on the strategic interests of women in transforming relations of power through their own organising efforts. It stresses the need for consciousness raising and advocacy to enable oppressed women to speak out on their own behalf. It has a broad agenda that includes women's work burdens; their legal rights; wage rates and industrial relations; domestic violence and marriage laws, and so forth. Central to the empowerment model is the notion of transforming power relations to overcome gender subordination in the context of other forms of oppression of nation, class, caste and ethnicity. This approach stresses the importance of empowering processes and objectives and the vitality of Third World women taking the lead. It recognises the importance of women developing their own consciousness of the local, national, and international dimensions to

their subordination and working to construct a new social, political, and economic basis to gender relations.

The five approaches to WID that Moser identifies are not the only ways to understand the evolving feminist projects on women in development, for example Irene Tinker (1997) and Nuket Kardam (1994) offer useful variations. These models delineate their distinctions in terms of ideological differences between feminisms. In examining the above model one can identify these fundamental distinctions. The efficiency and anti-poverty approaches have their roots in liberal feminisms and seek to integrate women into the economic growth development agenda, perceiving the problem, as Goetz describes, as one of access (1997). Like the welfare model, these models need not challenge the ideological basis to the modernisation project. They frequently employ an 'efficiency' justification for intervention, arguing that the targeting of women for development projects is instrumental to the economic growth project. Women are perceived as objects in the development project. It is these models that the World Bank promotes:

Leaving questions of justice and fairness aside, women's disproportionate lack of education, with its consequences in low productivity, as well as for the nutrition and health of their families, has adverse effects on the economy at large. (World Bank, cited in Kardam, 1994).

The equity approach employs more confrontational and empowering strategies to achieve its goal of equality. It has the potential to be very radical however, much of its agenda has been domesticated. It often seeks only elements of equality

within existing local, national and international capitalist structures and laws of state are sought. This watered down manifestation of the equity approach does not challenge the liberal development agenda and hence sits easily within liberal feminism. As well, the gender equity model, whilst seeking to redress the imbalances in power relations between men and women, tends to make women subjects rather than agents in the change process. The empowerment approach most radically challenges the development agenda and moves feminist discussion and debates forward, away from the increasingly out-dated WID frameworks and towards Gender and Development (GAD).

- ***Moving to Gender and Development***

The 1980s witnessed the emergence of Gender and Development (GAD) to frame progressive feminist perspectives. GAD makes attempts at overcoming the limitations of the WID perspectives, (Visvanathan, Duggan, Nisonoff & Wiegersma, 1997). Anne Marie Goetz reflects that much of the Women in Development agenda was actually about gaining women *access* to development (1997). It pursued this agenda under the impression that better access for women in development would lead to better outcomes, ie. that women would share in the new prosperity of capitalist economic growth. This was manifest in development programs that brought women *into* the project of modernisation.

A break with WID theoretical approaches initially emerged in the eighties from dependency feminist theorists such as Jaquette (1982), and radical feminist theorists such as Maria Mies (1982). They formed an approach that became

known as Women and Development (WAD). Marxist informed dependency analysis focused on the relations of production and class to argue that women's subordination is an essential outcome of capitalist relations. Whilst dependency theorists argue that class relations are the basis of women's oppression, radical feminists perceive patriarchal relations as more significant to women's oppression. Both of these critiques challenged liberal informed WID analysis and policy development, arguing that the modernisation theory could not liberate women from oppression and patriarchy (Visvanathan, Duggan, Nisonoff & Wiegersma, 1997).

Gender and Development (GAD) emerged in critical response to both WID and WAD analysis. It brings together a number of critical feminisms to argue that women's relations to men in labour production, and in their reproductive role, are both important. The GAD framework shifts the focus of analysis away from one solely on 'women' and to 'gender relations' between men and women (Visvanathan, Duggan, Nisonoff & Wiegersma, 1997). This more radical GAD response argues that WID could not address women's low status because it does not take account of power relations between differently located women and men. At its more robust (or radical), the GAD framework embraces analysis that examines the complex interplays of class, race, and gender that marginalise and oppress women, a position greatly informed by the work of Third World feminists and organisations such as DAWN (2002). It explores the totality of social, economic and political life, incorporating analysis of women's role in the economy and in the reproductive sphere. GAD has made visible a whole range of locations of power and ways power is distributed and reflected, for example in

households, in community management and politics, in land and resource use, etc. As well, it does not place faith in the market to distribute resources, or the benefits and power they may bring, that WID does. Therefore GAD values women's organising and the role of the state in promoting women's interests (Young, 1997).

GAD approaches challenge the modernisation theory of development and its evolution into the neo-liberal development agenda. They do not accept that women can be 'added- in' to the development mix and argue that the development agenda actually worsens women's position and status in the Third World. For example, DAWN argues that:

With few exceptions, women's relative access to economic resources, income, and employment has worsened, their burdens of work have increased, and their relative and even absolute health, nutritional, and educational status has declined. The limited success of the integrationalist approach is due in part to the difficulties of overcoming traditional cultural attitudes and prejudices regarding women's participation in economic and social life. However, an equally important but mostly overlooked factor is the nature of the development process into which women were to be integrated. (Sen & Grown, 1987: 16).

More recent work examines the processes of globalisation and the marketisation of governance to argue that the development agenda, and neo-liberalism more generally, is inimical to women, and to many men also (Heyzer & Sen, 1994; DAWN, 2002). In so doing they affirm the need to link women's oppression with

other forms of oppression, arguing that the development agenda is designed to exploit some to satisfy the needs of others.

▪ ***Women and International Political Economy***

The importance of women to the success of the development agenda can be examined in all of these sectors; indeed women are crucial to the economic growth project. Economic growth is in part built upon the free and cheap labour of poor Third World women, or as Cynthia Enloe argues, “*labour made cheap*”:

But let’s look more closely at the glib phrase: cheap labour. Even the least internationally conscious television viewer of the 1990s knows that companies are forever on the global prowl for ‘cheap labour’. It sounds as though there is some labour power out there that is *inherently* low-priced. More realistic – if longer winded – is the phrase ‘labour made cheap’. It draws our attention to the actions needed to *turn* someone’s labour into low-priced labour. (Enloe, 1992: 13).

(Enloe’s emphasis).

Enloe goes on to argue that in addition to justifications of race and class making a person’s labour cheap, gender is a potent factor. The labour of women is made cheap by defining it as unskilled, and even a natural ability of women. Third World governments, keen to attract foreign investors, promote the cheap labour of women. For example, a Malaysian government brochure advertises:

The manual dexterity of the oriental female is famous the world over. Her hands are small and she works with extreme care. Who, therefore, could be better

qualified by nature and inheritance to contribute to the efficiency of a bench assembly production line than the oriental girl? (Cited in Chowdry, 1994).

The skill that is required to work on the assembly production line is re-cast as natural ability. 'Oriental girls' are also thought to be more docile, less likely to unionise, and cheaper to employ. However it is poverty, marginalisation and patriarchy that makes women vulnerable and hence easy to exploit for corporations seeking a compliant workforce. The various social, political, and economic layers where patriarchy is played out in the lives of women acts to reinforce their subordination and promote capitalist development.

The globalisation of production, trade and investment has been targeted by feminists concerned with the impacts of this neo-liberal agenda on the lives of poor women. Structural Adjustment Programs (SAPs), promoted by the World Bank and IMF since the 1980s, have come in for sustained criticism on a number of different fronts. Feminists have argued that structural adjustment programs exploited the position and labour of women. In a study conducted for USAID (the US Agency for International Development), five negative consequences of SAP programs on women were identified. Firstly, the study found that poverty is increasingly gendered, a process that is now referred to as the 'feminisation of poverty'. Secondly, women have borne the brunt of adjustment by limiting their own consumption and increasing their workload to absorb the added demands on households. Third, government spending cuts have shifted responsibility for health, welfare, and education away from the public sector and to the unpaid labour of women. Fourth, initial gains made in promoting gender equality in the

1970s are now being undermined by the demands of industry and resultant shifts in labour. Finally, government spending have tended to affect the employment of women who work in health, education, and other welfare sectors (Brodie, 1994: 48).

DAWN has been one of structural adjustments' most outspoken critics. DAWN argues that the multi-lateral banks responded to the debt crisis and to the failure of the modernisation project to alleviate poverty by exacerbating it:

Agencies like the World Bank have responded by de-emphasising basic needs and espousing models of structural adjustment... the implementation of such programs has had a devastating effect on poor people in the Third World... A development process that shrinks and poisons the pie available to poor people, and then leaves women scrambling for a larger relative share, is not in women's interests... Equality for women is impossible within the existing economic, political, and cultural processes that reserve resources, power, and control for small groups of people. (Sen & Grown, 1987: 17 & 20).

These claims from critical feminists have challenged liberal feminists claims that women can achieve equality through the contemporary capitalist neo-liberal economic order. Whilst such debates demonstrate diverse 'feminisms', critical feminists accuse liberal feminists of undermining women's liberation through their theoretical embeddness in liberal ideology.

- ***Women in Liberal Political Ideology***

Carole Pateman de-constructs liberal political ideology to reveal the way it captures women and places them in a subordinate position to men (see chapter 2). Pateman argues that the liberal project, dating back to its origins in the writings of seventeenth century enlightenment theorists such as John Locke, marginalises women and femininity into powerless positions within the private sphere and privileges men and masculinity in the public sphere. Masculinity and men are exalted and positioned in a dominant relationship to femininity and women (Pateman, 1988). Neo-liberalism marks the contemporary ascendancy of individualism, capital and free-market competition based upon economic growth through ‘efficiency’ and (masculine) individualism. Neo-liberalism, like its liberal origins, prizes certain men and masculinity. The masculine public sphere of rationality, contract, reason, rights, freedom, law, and citizenship – all central to liberalist ideals – are constructed upon and gain their significance only in contrast with the feminine private sphere of “*particularity, natural subjection, inequality, emotion, love, partiality*”, (Pateman, 1986: 6). Male dominance in the public sphere is essential to the success of the neo-liberal project.

Liberal political ideology has values and assumption rooted in Western political culture that play out in its application to Third World countries. For example, the private sphere is not necessarily where Third World women have traditionally been located, even though the Western dominated development agenda has perceived them in this realm. Operating from its assumptions about the ‘natural’ role and place of women, development projects have tended to assign to Third

World women a Western ideal of woman as unpaid nurturer and subordinate of their husbands. This is not say that women in Third World countries were less oppressed prior to ‘development’ interventions, however the liberal development project has brought about its own expression of that patriarchy and overlaid it onto existing systems, attempting to reshape women’s roles and locations into a liberal patriarchy. The agenda positions women in powerless and under valued places, their function is designed to sustain the ascendancy of capital, the benefits of which accrue to elite men.

Gender relations and women’s issues in Indonesia

In this section I move away from the broad analysis of women’s and gender issues in development to give an overview of the women’s movement in Indonesia, both in terms of its historical development and character.

The first sightings of the women’s movement in Indonesia date back to the early 1900s. One of Indonesia’s first feminists, R.A. Kartini 1879 – 1905, is now celebrated as an independence heroine. Although her efforts for independence are significant, the state’s focus on her nationalism detracts from her contribution to the promotion of women’s interests in Indonesia, particularly in promoting education and transforming oppressive cultural traditions, (Suryochondro, 2000; Parawansa, 2002).

The first women’s organisation – *Poetri Mardika* – was established in 1912 to mobilise women for the independence struggle:

Women were considered important as the educators of the younger generation. Thus it was necessary to establish and promote women's organisations capable of supporting the national struggle. For the women themselves, this struggle not only challenged colonialism, but also opposed traditional *adat*, which discriminated against women. Their first program was to advance women in education and to abolish injustice, especially in the institution of marriage. (Suryochondro, 2000: 227).

Thereafter many other women's organisations emerged for similar purpose. Their importance to the independence movement ensured their institutional support. Large Muslim organisations, such as *Muhammadiyah*, and Christian organisations also began to establish women's groups in order to advance the welfare of women. The first women's congress, *Kongres Perempuan*, was held in Yogyakarta on 22nd December 1928 and witnessed the formation of the Association of Women's Organisations. Remaining closely aligned to the nationalist movement the association sought an agenda for women's rights. During the time of the Japanese occupation (1942-1945) only one women's organisation was legally permitted to meet. This organisation was established by the Japanese to promote the propaganda and political aspirations of the Japanese in Asia. In spite of this many women's organisations remained in operation illegally. Then, in the war against the returning Dutch colonisers that followed the Japanese surrender, the women's movement mobilised, participating in combat duty as well as providing essential support (Suryochondro, 2000). In this post WWII period the National Women's Congress began to further its relationship with overseas and international women's organisations

(Suryochondro, 2000; Parawansa, 2002). Indonesian women continued their international activism throughout the later half of the twentieth century. For example, a number of Indonesian women were involved in the drafting of the articles of the first women's convention at UN headquarters and the organising of the first UN Women's conference in Mexico in 1975 (Sadli, 2002).

After Independence in 1949 women's police and military corps were established and women's organisations again became politically active as well as continuing to provide health and welfare services to women. Indonesia ratified the UN Convention on Political Rights for Women in 1952, and in 1957 accepted into law the ILO Equal Remuneration Convention. However the women's movement and women's issues were subordinated to other agendas of nationalism, religion, and ideology:

The government allowed the development of women's organisations as part of political parties. One example was Gerwani, a communist-led mass organisation whose goals of countering colonialism, feudalism, imperialism and capitalism were supported by a membership of educated women with high political aspirations. Five members of Gerwani were elected to parliament as Communist Party (PKI) representatives in the 1955 elections, as were five members of Muslimat, the women's wing of the mass Islamic organisation, Nahdlatul Ulama (NU). (Parawansa, 2002: 70).

The rise of Suharto and the communist purges in the late 1960s marked the beginning of an era of direct ideological control of women's organisations and women's lives too:

From the beginning Suharto's New Order political machinery determined a role for women in the context of national development... Suharto used propaganda on the atrocities allegedly committed by Gerwani, the mass women's movement associated with the Communist Party (PKI), to justify this traditional role for women. (Oey-Gardiner, 2002: 102).

Suharto's New Order aimed to shape women into powerless wives and mothers and relegated them to the private sphere of domesticity. The New Order redefined the women's movement in Indonesia, creating two large women's organisations – Dharma Wanita and the Family Welfare Movement (PKK) – to promote a uniform gender identity that acted to encourage women's subordination to men (Robinson & Bessell, 2002). The regime promoted the notion that a woman's national duty was to play the role of maternal nurturer and supporter of her husband's aspirations, which was her inherent tendency anyway.

The regime's demand for women to remain in unpaid domestic servitude was dampened when Indonesia's economic growth required the availability of labour. Plans for economic development demanded women become more active in the labour market in order to promote economic growth. The Suharto government's five year plans (GBHN) trace this transition from 1973 when women's contribution to the nation was expressed through her role in the family, and then later to her commitment to population control, a perceived pre-requisite for economic growth. As the demands of export led growth increased women's roles were expanded to include a secondary obligation to capture some income for the family unit and contribute to national development. The dual role of income

earner and domestic worker increasingly burdened Indonesian women with the welfare of the family unit, (Oey-Gardiner, 2002).

This manipulation of women and women's roles notwithstanding, the Suharto period saw the government ratify the *UN Convention on Political Rights of Women* in 1968, and the *Convention on the Elimination of All Forms of Discrimination* in 1984. In 1994 it endorsed the resolutions of the *Copenhagen Conference on Social Development* and the *International Conference on Population and Development* in Cairo. Then in 1995 the Suharto government endorsed the resolutions of the Conference on Women in Beijing, (Parawansa, 2002). Indonesian women participated in all of these international conferences and urged their government's support. However the legal and official support for women's equality was a facade. Women remained subordinate to men in private and public spheres.

Although the women's movement struggled throughout the Suharto years Saparinah Sadli draws upon her experience as a University lecturer in Women's Studies to note that many of her students rejected the state's gender construction and found space to develop and advocate their feminist ideas:

They criticised government programs such as the national family program, and the co-opting into the ideology of the state of women's organisations such as PKK... and Dharma Wanita... and KOWANI. So even during this most repressive of periods, there were subversive forces within the women's movement. Women's NGOs like Kalyanamitra empowered women by giving them the skills necessary to advocate alternative perspectives. (Sadli, 2002: 83).

The barriers to women's participation in public life led many women to channel their efforts through the non-government sector (Oey-Gardiner, 2002). Throughout the 1980s in Indonesia there emerged a growing number of independent women's organisations to enable women to pursue their gender interests and challenge unequal gender relations in Indonesia (Blackburn, 2001). As well, the first women's studies graduate program was established at the University of Indonesia in 1990 and has since been active in advocating women's issues to government and monitoring implementation of the UN Conventions (Sadli, 2002).

In the final years of the Suharto regime a number of groups formed to more directly challenge the state. The Indonesian Women's Coalition and the Voice of Concerned Mothers (SIP) campaigned against the state's repressive subordination of women. SIP led a group of women in peaceful demonstration in Jakarta in February 1998 in the face of Indonesia's economic collapse. The women were demonstrating against the rising cost of milk by giving away free milk and handing out flowers to passers by, and to the police monitoring them. In an act that received international attention and condemnation the police arrested three of the leaders. This inspired women all over Indonesia to publicly support the

organisation and its agenda. SIP and like-minded groups became the focal point for the collection and distribution of food and other practical support to the student demonstrators (Oey-Gardiner, 2002).

After the May 1998 mass rapes of Chinese women women's groups forced the Habibie government to address violence against women through public demonstrations and international advocacy campaigns. As a consequence the National Commission on Violence Against Women (*Komnas Perempuan*) was established. The Wahid government then appointed a well-known activist, Khofifah Indar Parawansa, to the position of Minister for Women's Affairs. Parawansa immediately changed the name of her department to the State Ministry for Women's Empowerment, symbolising a decisive break with the ideology of the past (Robinson & Bessell, 2002). The PKK also changed its name from the Family Welfare Movement to the Family Empowerment Movement, signifying its own break with the past and with Suharto's gender ideology. In 1999 Wahid's wife, Sinta Nuriyah Abdurrahman, established a nation-wide organisation named *Puan Amal Hayati* (PUAN), an Islamic organisation to advance women's empowerment (Marcos, 2002). Through these national organisations there has emerged many regional and local groups for women that particularly promote women's education, empowerment, and rights.

There are also women's groups that are struggling to transform the development agenda in Indonesia. For example, the *North Sumatra Women's Peasant Union* seeks to raise the consciousness of peasant women and fight for their rights (North Sumatra Women Peasant Union, 2000). Some of their number gathered at

the recent *Asian Peasant Women's Workshop* to dialogue gender and development issues. The forum issued a declaration that called upon the World Bank to cancel debt and structural adjustment programs, to 'respect the peoples' decisions', and to be more transparent in its dealings (Asian Peasants Women's Workshop, 1999).

Interestingly, at the time of writing, many of the largest, nation-wide and not gender specific NGOs in Indonesia were headed by women including: the International Forum on Indonesian Development (INFID), the Urban Poor Consortium (UPC), the Centre for Electoral Reform, the Environment Forum (WALHI), the Anti-Debt Coalition, and the consumer organisation YLKI. Many of these women do not campaign solely, or even predominantly, on women's issues. The organisations they lead tend to see women's liberation as inextricably linked with liberation from state-sponsored repression and an oppressive development agenda. Their agenda, therefore, sits alongside the agenda of the women's movement.

The World Bank and Gender Matters

In this section I examine how the World Bank has addressed women and gender issues, and expose the gap between their rhetoric and reality. I then look more closely at the World Bank in Indonesia and its commitment to women's issues. This then reveals the different ways that gender operates to maintain relations of domination and subordination between the World Bank and NGOs.

- ***Gender and the World Bank***

The Bank's rhetorical commitment to women in development grew throughout the seventies and was expressed by Robert McNamara in 1979 in a paper titled, *Recognising the invisible women in development* (McNamara, 1979). The paper reflected the growing international concerns about women in both development process and outcome, as well as promoted the Bank's commitment to women in development. Yet by the late eighties the rhetorical commitment was not materialising in terms of policy or practice at the World Bank, causing it to continue to be the subject of much feminist criticism (Kardam, 1990). It was not until 1994 that the Bank made a commitment to mainstreaming gender and development in an Operational Policy. Then, with Wolfensohn as president the Bank made more commitments to promoting gender justice. At the 1995 Beijing conference Wolfensohn said this to the participants and feminist activists there:

And as you leave Beijing, please know this: the World Bank stands with you. We will commit our finance and our energy as an advocate and a partner in the fight for equity. If you have ideas, share them with us. If you have initiatives where our experience or assistance can be relevant, let us know. You can count on us. Working together, we can realize the hopes and dreams we brought to this Conference -- and thus go a long way toward achieving not only economic advance, but also social justice. (Wolfensohn, 1995).

However Wolfensohn also used this opportunity to urge women's groups to support the World Bank in securing its IDA (International Development Association) replenishments through US Congress:

I am deeply concerned, therefore, that IDA's capacity to help women risks being eroded by the possible failure of some countries to honor their commitments to its replenishment. Make no mistake about it: rich countries that seek to cut appropriations to IDA are hurting the world's poorest women. That is a message which I hope all of you will carry back to your parliaments. It is a fundamental message from this gathering and a failure to influence the donors to continue IDA at historic levels will be a terrible blow to the achievement of our practical objectives. (Wolfensohn, 1995).

Such a threat, ie. that women will be hurt if you don't do this, to a group of people clearly committed to women's empowerment was patronising in the extreme. As well, Wolfensohn again failed to acknowledge that the World Bank's economic growth development agenda is one of the dimensions of oppression for women in the Third World. Glossing over such fundamental differences undermines the Bank's rhetorical commitment to gender justice, institutional change, and 'partnership' with women's groups.

In 1999 the World Bank's Operational Policy was updated to read:

The Bank aims to reduce gender disparities and enhance women's participation in the economic development of their countries by integrating gender considerations in its country assistance program. To this end, the Bank assists its member countries to:

- (a) Design gender-sensitive policies and programs to ensure that overall development efforts are directed to attain impacts that are equitably beneficial for both men and women. The Bank helps governments: identify barriers -

including men's attitudes - that prevent women from participating in and benefiting from public policies and programs; assess the costs and benefits of specific actions to remove these barriers; ensure effective program delivery; establish monitoring and evaluation mechanisms to measure progress.

- (b) Review and modify legal and regulatory frameworks to improve women's access to assets and services, and take institutional measures to ensure that legal changes are implemented in actual practice, with due regard to cultural sensitivity.
- (c) Strengthen the database for, and train country officials in, gender analysis, particularly in countries with inadequate gender-disaggregated data.
- (d) Obtain financing, if necessary, to meet the resource demands of program changes. Bank lending supports the expansion of women's access to services and assets, and the Bank helps to (i) mobilize additional multilateral and bilateral financing and (ii) organize Consultative Group meetings for specific countries. The Bank also promotes collaboration with international, national, and local nongovernmental agencies in implementing Bank-financed projects.
(World Bank, 1999d).

This policy makes it clear that the Bank has a role to play in leading member countries to understand and take account of women's interests and gender relations. It formulates specific strategies for the World Bank to follow in working with client countries and governments. Yet as becomes evident, in the Indonesian case these policies are readily ignored.

Then in September of 2001 the World Bank endorsed a new gender mainstreaming strategy paper. Mainstreaming gender and development requires that each and every program and project of the World Bank must consider gender issues in its planning, implementation, and outcomes. Where many of these policy initiatives unravel is in their implementation. For example, this gender mainstreaming initiative is implemented by operations policy staff who review and make determinations on the project plans. However project and program plans and outcomes are the responsibility of projects and program staff; operational staff have a quality-control role only. Given that these operational positions are institutionally marginalised, in reality they exercise extremely little power to influence program designs (Kardam, 1990). Hence gender mainstreaming remains largely a rhetorical commitment.

Nuket Kardam undertook a study of the World Bank's Women in Development policy for the period 1977 to 1987. She found that getting WID past the stage of rhetoric at the World Bank was difficult:

The research reveals that when the World Bank is part of a development activity in which different actors who are sensitive to WID issues participate, the likelihood of the consideration of women increases. So far, the World Bank has resisted a systematic adoption of WID policy, where WID is considered at all levels of agency activity (including policy negotiations with borrower governments, country and sector programs, and projects). This resistance can be explained by a combination of factors related to the World Bank's organisational ideology and structure. (Kardam, 1990: 114).

Kardam's research demonstrates that the adoption of Women in Development policy was not institutionalised at the World Bank throughout the eighties and was far more dependent upon the sensitivity of individual staff to WID issues.

▪ *Gender and the World Bank in Indonesia*

The World Bank in Indonesia, by its own admission, pays scant attention to addressing gender relations and women's issues within its programs. Of the 6 World Bank staff I interviewed 5 admitted that gender relations and women's issues had been virtually shelved, particularly since the crisis of 1997/98. The remaining 1 staff member could not comment. The lack of interest in gender matters by the Bank staff, and their low priority on the Bank's agenda, is not geographically isolated. DAWN put out a brief report on The External Gender Consultative Group (EGCG) of the World Bank, (DAWN 2001). In it they explain some of the recent difficulties they have faced in urging reform at the Bank:

In the interim period (the time between the Beijing conference and 2001) the EGCG has had to deal with organisational restructuring at the Bank that left gender work in limbo for a long period, as well as a continuing reluctance, with few exceptions, on the part of the Bank's operational staff to take gender seriously. (DAWN, 2001: 1).

From my interviews it is clear that Bank staff in Indonesia have not developed a working culture of sensitivity to women's issues, and have not institutionalised or

mainstreamed gender and development. The lack of enthusiasm for gender and development policies that I found amongst Bank staff in Indonesia is reflected in policy and program development. For example, so poorly planned and implemented was the Social Safety Net's scholarships program that the Bank was forced to change it after loud protests by women's groups. It appears that in Indonesia there has been a distinct lack of Bank staff willing to engage gender and development. The lack of motivation is best evidenced by the fact that the Indonesian country office contracted out the *Voices of the Poor* research.

The *Voices of the Poor* project was a major participatory research exercise led by the World Bank in Washington, it was progressively published in the late 1990s in three volumes. The objective of the project was to document the experiences of poverty as defined by poor people in developing countries “*in an unprecedented effort to understand poverty from the perspective of the poor themselves*” (World Bank, 2002c). Understanding gender relations was an important objective of the research that was undertaken in 1999 in 23 countries, including Indonesia. The research engaged over 20,000 poor men and women. In August 1999 the results were published in the Indonesian Country Synthesis report. Unfortunately the learning opportunity that such a study afforded the World Bank country office was missed. The office commissioned the Water Supply and Sanitation Department to conduct the research and prepare the report rather than take it on themselves. Although located within the World Bank Group this department is a separate and relatively autonomous unit, with its own objectives, processes, management, and finances. From my discussions with the researchers in the Water and Sanitation Department it appears that the country

office contracted out the work because the World Bank staff had neither the experience nor the will to carry out grassroots participatory research. Bank staff's willingness to distance themselves from such an important project, particularly in terms of the valuable insights into the lives of women in poverty that it offers, highlights the lack of motivation for adopting gender and development at the World Bank office in Indonesia.

In my interviews with Bank staff they were somewhat apologetic for their post-crisis lack of attention to women in development, perceiving it as an unfortunate outcome of crisis management. As far as crisis management was concerned staff did not consider gender and women's issues a high priority. Indeed one interviewee informed me that the 'gender' position at the Bank in Indonesia, whilst usually a lower-level position, had in fact been further downgraded in the post-crises era (World Bank staff member no.3, 2001). The interviewee claimed the position had been downgraded since the crisis because an Indonesian national, as opposed to a US national, now holds the position. This was apparently highly symbolic to all in the country office and demonstrated that management no longer considered the position, and hence women's issues, very important. Such statements reveal how institutional subordination and dominance are played out at the intersections of gender and nationality. It exposes the Bank staff's tendency to position and value colleagues based on their semblance to Western ideals and ethnicity, and introduces an additional dimension in understanding why Bank staff perceive Indonesian NGOs as immature and lacking capacity and knowledge (see Chapter 4).

Although gender and women's issues were low on the agenda, Bank staff were conscious of the gendered impacts of the crisis, including such consequences as the increasing incidence of trafficking and work related migration (Ghosh, 2000; Hugo, 2002). The gendered dimensions of the crisis and the urgent issues facing women were shared with the international development community via a plethora of medium, including two separate forums in Asia 1998. The first was the *'Roundtable discussion on the economic, social and political impacts of the Southeast Asian Financial Crisis'* held in Manila in April 1998. Approximately 30 women from the region put forward their perspective. The second was held in May 1998 in Thailand and titled, *'Rural and Indigenous women speak out on the Impact of Globalisation'* (Tauli-Corpuz, 2001). Victoria Tauli-Corpuz summarises the impacts:

The poor women in whatever part of Asia are the ones who suffer the most from globalisation. The further liberalisation of trade and investments (particularly financial investments) which has led to the present crisis has exacerbated unemployment, underemployment, dislocation from traditional sources of livelihood, increased outmigration to urban areas and overseas, and worsening food insecurity. (2001: 1).

Bank staff I interviewed tended to regard these consequences as a by-product of the crisis, rather than as an extension and exacerbation of the consequences of the development agenda on the lives of women. Hence the Bank staff concluded that much of women's oppression could be alleviated through more of the same development agenda.

The way staff understood gender matters reflects a liberal position that treats development as relatively gender neutral and puts faith in the development agenda to grant political and economic freedoms to everyone – regardless of gender. This neo-liberal gender blindness almost grants World Bank staff a theoretical rationale for ignoring WID and GAD altogether in that the invisible hand of the free-market supposedly does not discriminate. Staff lacked critical understanding of the gender bias inherent in the neo-liberal development agenda.

In his interview with me the Country Director began by saying that he believes that his office is “doing a lousy job” in the area of addressing women’s interests (Baird, 2000). He first put forward the argument that the Bank was focussed on crisis management, the effects of which would apparently positively impact on women’s lives. He then went on to question whether the Bank should promote women’s interests in Indonesia at all. He argued that such promotion would be perceived as an attempt by the Bank to impose Western values and views on a predominantly Muslim nation and that this would be received as a foreign Christian influence. This explanation requires some critical analysis, loaded as it is with assumptions and misinformation. Firstly, the Country Director made the assumption that gender analysis and promoting women’s interests are solely a Western preoccupation. Given my earlier presentation on the women’s movement in Indonesia (and indeed elsewhere in the non-Western world) this is clearly not the case. This Country Director demonstrated a lack of knowledge regarding existing feminist analysis and women’s organising taking place in Indonesia, much of it informed by Islamic values and culture.

Moreover the Country Director argued against doing gender work because he did not believe there was enough support for women's empowerment and development in Indonesia. He perceived a lack of groups and organisations (such as NGOs), concerned with women's issues:

We cannot change the system if there aren't people within the system who want to change it. On this issue I don't see a critical mass of Indonesian reformers. (Baird, 2000).

Aside from his apparent blindness to the real and existing women's movement in Indonesia, the Country Director is here arguing that the Bank's work requires a critical mass of reformers, a broad based popular support. Yet when the Bank promotes its (Western) neo-liberal economic agenda through structural adjustment loans it makes aggressive interventions often with extremely little support from the population. Indeed, Bank sponsored economic interventions have at times compelled the Indonesian government to make changes that are extremely unpopular. For example the lifting of food and fuel subsidies at the height of the economic crisis witnessed widespread uprisings that led to Suharto's resignation. Clearly there is no basis for the Bank to be shy in making unpopular decisions. Rather, it appears that there is no will on the Bank's part to use its leverage for promoting women's issues. The Bank is unwilling to take any risks for women in Indonesia. As well, to insist that a commitment to promoting women's interests must emerge from the Indonesian government or people rather than from the Bank fails to consider the first two points of the Bank's own operational policy (detailed earlier in this chapter).

Secondly, the Country Director's argument implies that the Bank's development agenda is gender neutral. In other words, the Bank's programs role in promoting economic re-structuring (liberalisation), infrastructure development, export led growth, transmigration, population control, education and health, do not have gendered impacts. This position demonstrates a total lack of engagement with the analysis and understandings that over 30 years of women and gender analysis have brought. Neither common sense nor evidence can support such a position, as Noeleen Heyzer argues:

Women are central and not marginal to the processes of development. Women both affect and are affected by development processes. Benefits to and contributions by women cannot be dealt with separately as 'women's issues'. These issues affect the prospects for efficiency, growth, distribution and the social development of the nation as a whole. (Heyzer, 1985: xii).

In not recognising the gendered impacts of World Bank 'development' the Country Director makes women and their experiences invisible and at least incidental to the Bank's work. He also reveals the ease with which World Bank staff can become distanced from the Bank's own policies and commitments.

The lack of attention to gender relations at the Indonesian office can be understood as a consequence not only of the Bank's operational imperatives (outlined in previous chapters), but also as a consequence of the Bank's neo-liberal understanding of gender issues. This perspective is made manifest in its policy documents dating back to the 1970s. Women's 'development' is functional

to the economic growth outcome. Whilst the rhetoric has evolved as the Bank's discourse appropriated the discourses of feminisms, this fundamental premise remains unchanged. Most recently it has been put thus:

Gender is an issue of development effectiveness, not just a matter of political correctness or kindness to women. Evidence demonstrates that when women and men are relatively equal, economies tend to grow faster, the poor move more quickly out of poverty, and the well-being of men, women and children is enhanced. (World Bank, 2002b).

Women's utility to economic growth is what drives the Bank's gender and development work. Gender equality is not valued in its own right; it is valued because it assists in the achievement of economic growth and poverty alleviation. Women are perceived as tools or targets in the goal of economic growth. In urging staff and projects to see women in this way the Bank is furthering the burden that the economic growth development model has already placed upon women in the last two decades. Far from being forgotten in development, women have been subsumed in development for other ends.

For example, structural adjustment programs don't simply ignore women, or adversely affect them. They also implicitly rely upon women's exploitation in order that a country may produce economic growth (Hodge, 1994; Schrijvers, 1992). The experience of many poor women living in countries that have been compelled to adopt neo-liberal economic paradigms has been one of increasing exploitation and oppression:

Women, responsible for day to day survival and for the children, shouldered the greatest burden, “Structural adjustment” is, in fact, implicitly based on the notion that female and child labour can be taken for granted and tapped indefinitely: the costs do not have to be included in GNP figures. (Schrijvers, 1992).

Such an approach gives further permission to Bank staff to forget gender.

▪ ***Gender in the World Bank***

In analysing the relationship between the World Bank and NGOs it has become apparent that the Bank assumes the role of male rationality and power in its positioning towards NGOs. Marianne Marchand and Anne Sisson Runyan (2000) discuss the way gender operates to define social institutions, actors, practices, and processes in a hierarchical duality of masculinity/ femininity. What is valued and made important is imbued with masculinity, whilst what is of lesser value and importance is feminised. They argue that the domination of some institutions and ideas, and the subordination of others, is constructed on gendered grounds:

It is the use of... gendered constructs and symbolisms that provides the legitimisation and rationalisation for neoliberal economic policies. This is particularly evident with respect to development and structural adjustment policies promoted by economists from international financial institutions, donor countries, and international donor agencies... Feminists have also noted how gendered metaphors and symbolism in globalisation discourses act to privilege particular agents and sectors above others, such as finance capital over manufacturing, finance ministries over social welfare ministries, the market over the state, the global over the local,

and consumers over citizens. In each of these cases the latter is constructed as “feminised” in relation to the former. (Marchand & Runyan, 2000: 13).

These same gender constructions can be seen at work in Indonesia in relations between the World Bank and NGOs and in other institutional relationships. NGOs and their concerns are subordinated, patronised and perceived as inferior in knowledge and skills. Gendered scripts operate to assign women and men different roles and positions and reinforce unequal power relations. Social institutions, norms, and processes are also subject to the same gendering process. The gendering of people and institutions serves to assign and mark power and status in a complex hierarchy. One person or organisation can at once be feminised in a particular role whilst masculinised in another role, depending upon their relationship to another. Further, gender scripts are multiple and change over time and space: what it is to be masculine in the global economy of 2002 is somewhat different from the type of masculinity of the 1970s or 1980s. For example, much that was feminine has, in the last decade or so, been appropriated and re-assigned as masculine by a business world seeking efficiency through team-work and participatory management practices (Hooper, 2000).

In employing a masculine/feminine dichotomy I do not wish to ‘naturalise’ gender differences and inequalities. Neither do I want to do injustice to the changing nature of gender scripts across time, geography, class, and ethnicity. Indeed, it may be more accurate to discuss ‘masculinities’ and ‘femininities’ within a complex global environment where gender intersects with class and ethnicity in creating multiple dimensions of subordination and domination. What

it is to be masculine may not be defined by a single set of universal characteristics or scripts, however the various sets of masculine scripts that create a range of masculinities have enough in common as to recognise ‘masculinity’ (or femininity) as a distinct concept. The masculine/feminine dichotomy is useful for this analysis in so far as it exposes the nature of a gendered dimension of oppression that establishes and reinforces power relationships, in this case between NGOs and the World Bank.

Feminist International Relations academic Charlotte Hooper, brings together a number of feminist writings to identify four different ‘ideal’ types of masculinity:

These are the Greek citizen/warrior, which combined militarism with rationalism (Stearn 1979; Elshtain 1981); the Judeo/Christian patriarch, a more domesticated masculinity emphasising responsibility, ownership of property, and paternal authority (Cocks 1989; Seidler 1989); and honor/patronage model based on aristocratic ideals of male bonding, military heroism, and risk taking (Morgan 1992); and a bourgeois rational masculinity, idealising competitive individualism, calculative rationality, self-denial, and emotional self control (Cocks 1989; Seidler 1989). The honor/partonage and patriarchal codes are now fairly muted. Patriarchal forms of masculine domination have gradually been eroded in favour of technical/rational forms (Cocks 1989). (Hooper, 2000: 63).

Hooper’s look at masculinities is instructive in that it enables an appreciation of the changing nature of gendered scripts. In my analysis of the gendered relations between the World Bank and NGOs I draw on technical/rational forms of masculinity as expressed by Kurian (2000) in her research on gendering in World

Bank environmental policies. Her framework identifies “masculine” and “feminine” gender characteristics as they may be found at work in institutions:

TABLE 4 – Masculinity and Femininity

| <u>Masculine</u> | <u>Feminine</u> |
|---|---|
| Technical and economic rationality | Political and social rationality |
| Stresses hard sciences, quantitative techniques | Stresses the social sciences, unquantifiable values |
| Main focus is development defined as economic growth | Main focus is sustaining way of life |
| Ignores the significance of culture and cultural norms, or sees them as unimportant | Stresses cultural norms and values |
| Top-down sources of knowledge only considered | Bottom-up sources of knowledge also considered |
| Process controlled by experts | Process stresses participation |

Adapted from (Kurian P 2000: 30).

In this model masculinity is identified as rationality based upon individual utility. Masculine rationality is considered objective because it is divorced from the feminine emotional concerns that clouds rational judgement and promotes inefficiency. Rational masculinity is expressed in the promotion of linear and hierarchal structures and a competitive drive for efficiency, hence masculinity is preoccupied with technical and economic organising and stresses hard sciences and quantifiability. It values experts, managerialism, linear communication, professionalism, and task orientation. This description reveals the masculine dominance that is embedded within neo-liberal ideology that privileges efficiency

and rationality. The 'logic' of the free market where individuals (masculine individuals) pursue self-interests and compete for political and economic advantage marginalises and de-values femininity. Masculine neo-liberalism prizes the supposed 'science' of neo-liberal economics, structuring out the real world of human and ecological lives in favour of mathematical equations and the market. Indeed, what is most highly contested by feminist critiques of neo-liberalism is its exclusion of real world factors into its equations.

Femininity in Kurian's model is characterised by a preference for consideration of a broad range of issues and relationships in decision-making processes. 'Feminine' values are more associated with participatory and horizontal decision making forums and structures. They are perceived as making greater space for social issues and adopting a holistic and qualitative approach to measure and understand human well being (Kurian P 2000). It should be noted that many feminists contest whether these so called feminine attributes and values should be valorised and encouraged, asking whether they are complicit in reproducing the current gendered division of labour and power.

In Chapter 4 I portrayed World Bank staff perceptions of characteristics of Indonesian NGOs. In each of the ways that the World Bank staff perceived Indonesian NGOs one is able to identify a gendered script. Bank staff portrayed an NGO sector that is reactive, emotional, and unenlightened, yet staff portrayed the Bank as rational and well informed. Generally, NGOs are feminised by Bank, and therefore made inferior. However Bank staff perceptions of the World Bank portray it as a father-like figure of rational masculinity that seeks to guide NGOs

in their growth. For example, Bank staff complained that NGOs employ ‘outside in’ strategies when this is not a rational choice in terms of serving their own interests. Bank staff believed that their (emotional) attachment to past outside-in strategies was what was keeping from them maturing (ie. developing masculine rational characteristics) as a sector. This resulted, as World Bank staff perceived, in an inability to focus on the issues at hand, preferring instead to rely upon emotionally charged issues to guide their interactions. In interviews many of the Bank staff involved in the CAS consultations were disappointed that NGOs were unable to engage on ‘rational’ and ‘technical’ issues of programs, instead turning it, in their eyes, into a complaints forum. The image that was revealed by Bank staff was one of a NGO community full of emotion and lacking in discipline. It was a feminised image that stood in contrast to a masculine self-image of task-orientation and efficiency.

Bank staff went on to describe NGOs as lacking in professional capacity and knowledge, arguing that NGOs were in their infancy and placing them into a feminised and child-like subordinate or dependent position. In this way the World Bank staff adopted a paternalistic father figure that patiently teaches and guides his children so that they can mature and learn, not unlike the gendered scripting adopted by colonisers:

The colonial state cast itself as the *parens patrie*, controlling but also supposedly providing for its children... The white man's burden was constructed as a parental one: that of 'looking after' those who were civilisationally underdeveloped (and hence figured as children), and of disciplining them into obedience. (Loomba, 1998: 216-17).

The World Bank staff perceived their role as one of enabling feminised and infant-like NGO organisations, (and therefore inferior organisations), to masculinise (only to some extent), and therefore become less inferior in terms of their organisational capacity. The Bank's role in directing funding to NGO capacity building bears witness to its masculine paternalism. Its efforts to direct the future course of NGO development, to mould NGOs so that they mirror its vision of the role NGOs should play in Indonesia's neo-liberal future, demonstrates a masculine confidence (or arrogance) in its chosen ideological doctrine.

The Bank staff characterised NGOs as lacking economic understanding and an appreciation for economic imperatives. In the same way that the liberal political order marginalises women into the feminised private sphere away from the technical matters of economics, NGOs are here marginalised into a sphere of lesser power and influence. A feminised NGO sector was being created, while the important and complex matters of economic management were apparently too sophisticated for NGOs. The World Bank imagined and portrayed itself as a paternalistic body that oversees and guides the naive and uneducated NGO sector, facilitating its progress and direction.

More over, Bank staff complained that NGOs consistently lacked quantifiable data to support their allegations against the Bank, particularly in relation to corruption and poor project management, therefore the Bank could not take their allegations seriously. Such a position privileges quantifiable evidence and data over qualitative real life narratives that NGOs tend to employ. The emotion of qualitative information had no place in the technical, rational and masculine world of World Bank business and so NGOs were encouraged to adopt quantifiable data collecting and reporting techniques in order to satisfy the demands of a masculine order. This is one of the tasks of capacity building campaigns; to assist NGOs in developing 'scientific' research tools, to enable them to understand the superiority (masculinity) of such methods over inferior (feminine) representations. In so doing Bank staff in Indonesia reinforce a masculine = dominant, feminine = subordinate oppressive relationship. Bank staff characterised NGOs according to a set of gendered criteria that champions masculine rationality and subordinates feminised characteristics.

- ***Gendering the World Bank's Development Agenda***

Beyond the World Bank's gendered scripting of NGOs, the Bank's development agenda promoted a gendered relationship to NGOs, one that reinforces NGOs subordinate position. With the rise of neo-liberalism has come a particular kind of rational/technical masculinity that privileges economics over social issues and hence the subordination of social policy over economic policy. The ascendancy of neo-liberal economic agendas occurs at the state as well as international levels. Internationally the economies of the First World exert masculine dominance over

the Third World, whilst within states social agendas have shrunk and been subject to the policy dictates of the dominant economic doctrine. Marchand and Runyan note that:

While OECD states are in a position to “male-bond” with global capital and thus partially retain or recapture their masculine status, Southern (and other subordinated) states are forced to accept a more feminised status. Second, it is important to recognise that the state is not a homogenous entity. Within states (Central and Eastern Europe, OECD as well as Southern), there are sectors that remain “domesticated” even as other sectors are internationalised. For example, ministries that focus on domestic health, education, and social welfare are becoming increasingly disadvantaged or “feminised” in relations to ministries of finance and economic affairs that are directly related to the global economy and, thus, invested with masculine authority. (Marchand & Runyan, 2000: 15).

The World Bank’s development agenda is grounded in masculine neo-liberal economics. Its goal can be seen as bringing this agenda to the Third World without challenging the dominance of the First World. The World Bank’s influence enables it to employ its leverage to dominate government policy agendas of debtor countries. The Bank promotes certain aspects of neo-liberal economic policy (eg. free markets, trade ‘liberalisation’, export orientation, etc), whilst subordinating other national agenda items. This includes the subordination of human rights and democratic ideals to the demands of the global market place, as is evidenced by the Indonesian case. Likewise, social policy is subordinated.

The technical/rational 'masculine' economic agenda, subsumes and dominates the 'feminine' social and environmental agenda (Marchand & Runyan, 2000). Indeed, social policy is not only secondary to economic policy; it is an instrument of the economic agenda. Social policy is used to entice capital controllers; the less that a government is willing to spend on social policy the more attractive that state becomes to potential investors. Through the vehicle of neo-liberalism capital has become the driving force of development planning, as Colin Leys summarises:

With capital free to move where it wishes, no state (and least of all a poor small one) can pursue any economic policy that the owners of capital seriously dislike. Economic planning, welfare systems and fiscal and monetary policies all became subject to control, in effect, by the capital markets, signalled, in the case of Third World countries, by the conditions attached to IMF/World Bank lending. (Leys, 1996: 23).

Capital controllers seriously dislike generous social policies. Governments that challenge or disrupt the ascendancy of economic doctrine over 'soft' social concerns are perceived as irrational, lacking in discipline, and/or impotent in their ability to enforce a masculine 'rational' economic management. These governments run the risk of themselves being feminised and hence patronised by a heavily gender scripted global economy and international relations.

Social policy is both a tool used by governments to prove their dedication to the masculine economic agenda, and also a measuring stick against which a government's performance may be judged internationally. Competition for

international investors encourages a ‘race to the bottom’ in terms of social policy. However, governments also need to balance these costs with the benefits that social policy brings, particularly in regards to social spending’s ability to blunt the threat of political instability. To this end governments around the world have sought to distance themselves from a ‘feminine’ social agenda by out-sourcing much of the work to the non-governmental sector (NGOs). Indeed, the marketisation of health, education, and welfare services can be understood as social policy’s assimilation into the economic agenda, occurring at both international and national levels.

As described in Chapter 2, the World Bank of the 1980s embraced the neo-liberal economic agenda and defended its structural adjustment programs on (supposedly scientific) economic grounds. Yet its agenda was the target for sustained and thoroughgoing criticism from First and Third World activists, academics, and practitioners. Consequently the Bank has sought to reform itself, at least in rhetoric. It has sought to soften its masculine image and adopt aspects of a ‘feminised’ one, particularly since 1995 when Wolfensohn became president. It has espoused its concern for ‘feminised’ themes such as poverty alleviation, gender equity, education and health, and championed the cause of the environment. Wolfensohn’s proposal for a Comprehensive Development Framework, put out for discussion in 1999, demonstrates this shift:

I am convinced of the importance of consultation and participation. But the fact remains that progress is too slow. With three billion people still living under \$2 a day, with growing inequity between rich and poor, with forests being degraded at

the rate of an acre a second, with 130 million children still not in school, with 1.5 billion people still not having access to clean water, and two billion people not having access to sewerage, we cannot be complacent... I have been considering the special role of our institution and its effectiveness in poverty alleviation and sustainable development... We are indeed learning to listen more and to be a better partner for the governments and the people we serve and for those with whom we work in the international and local communities... We have the responsibility for the structural and social aspects of development. (Wolfensohn, 1999: 2).

Wolfensohn has steered the Bank towards the rhetoric of poverty alleviation, broadened its spheres of intervention, and adopted a more holistic approach to development. The image at times is a maternal one, of a caring, nurturing, institution that does not put economics before people. Important to this image softening has been opening the Bank's doors and engaging with NGOs. The Bank talks of working together in 'partnerships' to alleviate poverty. According to Kurian's model (2000) this is a feminised script, one that claims to involve participatory and bottom up styles of organising and planning.

Behind the rhetoric lies the reality that the Bank is still dominated by its masculine neo-liberal economic agenda. The above quote reveals the Bank's adherence to this agenda, note the code for neo-liberalist policies in the words "We have the responsibility for the 'structural' and social aspects of development". Bank documents are replete with such revelations. The Bank has sought to adopt a more feminised image in order to appease critics and to win over what it regards as a feminised NGO sector. In appealing to NGOs it hopes to deflect damaging criticism that threatens the Bank's hegemony in development.

The rhetorical image shift masked the Bank's retention of rational/technical masculinity, though not very effectively.

The Indonesian case study reveals the Bank's continued privileging of its neo-liberal economic agenda (including structural adjustments), that is coded in the Bank's rhetoric. The economic crisis of 1997/98 witnessed the Bank in Indonesia retreat from its position of confidence in Indonesia's development. Prior to the crisis the Bank in Indonesia had shielded itself from the move taking place in Washington to engage NGOs. The apparent success of the economic agenda (as measured by tools that structure out a great deal of human experience), enabled it to hold onto its technical/rational masculinised image, isolate economic 'imperatives', and subordinate all other agendas and institutions including NGOs. The economic crisis can be interpreted as an event that shattered the illusion of the masculine development agenda. The Bank needed to re-build its hegemony, but on somewhat different grounds. The Bank's development agenda in Indonesia had been so discredited that reform of its image was required, it did this in much the same way the Bank in Washington had done under Wolfensohn. The change of staff, the apparent shift towards social scientists, and the introduction of the Social Safety Net were strategic moves in this direction. The new found desire to embrace previously ignored NGOs in Indonesia became an important part of the strategy. The Bank's new 'feminine' image suggested it was reformed as the rhetoric began to converge with some of the agendas of NGOs, for example in ending corruption and promoting good governance. The Bank leads its critics to believe that this apparent convergence came as a consequence of NGO input. However the Bank's new agenda is informed by the post-Washington consensus

and the interests (political and capital), it serves. Its goals for Indonesia only happen to coincide with some of the goals of the NGO sector. Those issues that remain contested and central to NGOs are structured out of the dialogue so as not to disturb the appearance of a (feminised) transformation. The structuring out of these contested issues allows the Bank to protect its economic agenda from the gaze and critique of NGOs, and maintain masculine dominance over them.

Whilst the Bank in Indonesia seeks to re-orient its rhetoric to appeal to the NGO sector it refuses to engage with NGOs on its development/economic agenda. This area is non-negotiable and not open to NGO consultation. It is only in those areas of mutual concern (eg. anti-corruption) and in areas of social policy (eg. the Social Safety Net) that NGOs have been allowed to engage the Bank in Indonesia, and then only on the Bank's own terms. The dominant approach of the Bank towards NGOs is expressed in its retention of control over the process and agenda for dialogue. Such was the concern of World Bank staff that their engagement agenda focus on feminised social issues that they became frustrated with those NGOs that attempted to shift the agenda. These NGOs refused to reflect the feminised vision of NGOs that the Bank staff projected onto them, and they over-stepped the boundaries of their subordinated role and status.

The type of NGO sector that the World Bank perceives as useful to the future of Indonesia, and actively sponsors through its influence on Indonesia's development agenda, is a feminised sector, dealing with social welfare issues. These NGOs are judged well suited to 'partnership' and to a neo-liberal political vision of the role and place of NGOs. They leave the big picture issues of

economic management to the ‘big boys’ in the development business, the ones that understand it and have the capacity to implement ‘hard’ economic choices. Those NGOs who are willing to engage the Bank on the Bank’s own terms are generally (but not always) community development NGOs; these are the preferred NGO types from the Bank’s perspective. Feminised community development NGOs are therefore valued and would be masculine NGOs (eg. those concerned with economic policy and employ ‘outside-in’ strategies), are marginalised.

- ***Multiple Layers of Gendering***

Employing a critical feminist analysis reveals the gendering of the relations between the World Bank and NGOs. It also reveals multiple layers of gendering when at once the World Bank is masculinised and also feminised depending upon its relationship to some ‘other’, as gender signals power relations more generally. For example, in its relationship to NGOs the Bank is masculinised but in its relationship to the IMF it is feminised. In Wolfenshon’s own words:

I believe we have a better articulation of our role with the IMF. Broadly, our sister institution has the responsibility for the macroeconomic stabilization for our client countries and for surveillance. We have the responsibility for the structural and social aspect of development. Obviously, these are not two isolated roles and we work together very closely on a day-to-day basis. (Wolfensohn, 1999: 2).

The use of the phrase ‘sister institution’ masks the reality of a relationship that is far more unequal. Often the IMF brings to bear a great deal more might in

enforcing the dominant neo-liberal economic paradigm on countries than the World Bank. Whilst the Bank has assigned itself a role in creating a social agenda, (albeit one that assists the smooth operation of the market), the IMF does not even pretend to be concerned for such issues. The IMF makes no attempts to engage with NGOs. It is supremely masculine in its deterministic drive to implement its agenda, and lacks capacity and will to consider social issues. Indeed the IMF makes the World Bank look ‘soft’ in its development agenda, such that the IMF is masculinised in its relationship with a comparatively ‘feminised’ World Bank.

The gendered scripting of their relationship has become increasingly evident throughout the 1990s as the Bank ‘feminised’ its image into social policy areas and re-focussed on poverty alleviation. The masculine disciplining role of the IMF during the Indonesian economic crisis of 1997/98 evidences its dominant positioning over the World Bank. The Letter of Intent (a contractual agreement for a loan) between the IMF and Indonesia acts as the guiding principle for World Bank intervention in Indonesia in the post-crisis era. The Bank operationalises the IMF’s plans through its lending portfolio, it is in the IMF’s service. Although Wolfensohn is at pains to make it appear that the two institutions are equal (“sisters”) the reality reveals that they clearly are not. As the Indonesian case study reveals, the IMF remained distant and aloof from NGOs to whom they granted no space in the negotiation process. The IMF thus exercised its masculine authority and dominance over a subordinate state, civil society sector and – to a lesser degree, World Bank. In this light the Bank is feminised. Yet the Bank

remains masculinised in relation to NGOs, demonstrating yet again that gender attached to power, and gendering, shifts to reflect shifting power relations.

In Conclusion

This chapter has foregrounded gender matters in a critical analysis of the World Bank in Indonesia and its relations with NGOs. Foregrounding gender facilitates valuable insights into the ways that the World Bank maintains and reinforces the hegemony of the neo-liberal development agenda in Indonesia, and secures dominance over the NGO sector. The Bank's failure to effectively take on even relatively conservative Women in Development perspectives evidences its lack of concern for how its development agenda affects women in Indonesia. Indeed, the Bank's development agenda sat comfortably with the gender ideology of the Suharto regime that was constructed to further the goals of capital accumulation by Suharto's (mostly male) cronies and international investors. In the post-crisis era the Bank had structured out a voice for women and gender analysis, making gender an add-on concern only when time and other priorities afford it.

The Bank in Indonesia continues to 'feminise' the NGO sector by assigning NGOs a gendered script, identifying them as immature, overly emotional, absent of rationality, and lacking in capacity. This justifies the Bank relegating to NGOs the comparatively under-valued work of social service program design and implementation. NGOs, in the Bank's determination, cannot understand economic matters. Therefore NGOs are marginalised in the field of social service delivery, still unable to influence the World Bank development agenda. These

gendered aspects expose the Bank's claims to want to work together in partnership with NGOs as instrumental and largely gratuitous. The Bank has stopped ignoring NGOs in Indonesia in favour of working towards their marginalisation and subordination to the Bank's agenda.

CONCLUSION

Why choose the Bank as an object for interpretation? (George and Sabelli, 1994: 3)

I chose the World Bank as an object for interpretation because its reach and influence continues to spread and mark social, political, and economic landscapes as it advances. Its very presence dictates that it be the object of scrutiny. Such scrutiny becomes vital because of the near total absence of critical self-reflection at the World Bank. Hence it falls onto the researchers, practitioners, activists and NGOs to conduct critical analysis and hold the Bank accountable. Clearly then, it is my contention that the World Bank can and should be made accountable, its claims interrogated, its processes critically examined, and its outcomes made evident.

World Bank rhetoric has the institution apparently seeking the ‘good’ society: environmental sustainability, gender justice, good governance, and a world free of poverty. The World Bank has also made many claims about knowing how to reach these goals and calls upon NGOs to work together with the Bank, in a partnership for development. NGOs, it seems, have become part of the vision of a ‘good’ society, their presence important to both the process and outcome. Whilst all of the claims of the World Bank demand (and often receive) critical examination, I chose this later one. This thesis has sought to question World Bank rhetoric and explore the realities that lay beyond it to reveal the true nature of the Bank’s strategy to engage NGOs. The close examination of the relationship

between the World Bank and NGOs in Indonesia tells us a good deal about the World Bank's ability and will to make good on its rhetoric.

Throughout the critical exploration of this topic I have come to understand that rhetoric operates in ways that distort and hide the reality of World Bank / NGO relations, thus making the process of uncovering realities difficult. My case study of the World Bank's strategy to engage NGOs in Indonesia reveals that the Bank uses its rhetoric to mis-represent reality, as was the case in its positive promotion of Civil Society consultations in preparation of its Country Assistance Strategy. In other instances the Bank's rhetoric masks its true agenda, as is the case when the Bank urges gender justice by integrating women more completely into its development agenda. The reality is that women are instrumental to the neo-liberal development agenda. That such an agenda can achieve gender justice is doubtful. Can the neo-liberal agenda of the World Bank stand up to scrutiny or critical appraisal? And why does the Bank feel compelled to package its neo-liberal development agenda by, at best, dressing it up and at worst mis-representing it?

The Bank's rhetoric cloaks the failures of the development agenda to serve the interests of poor and marginalised peoples throughout the world. The rhetoric also shrouds the reality that the economic agenda has often, as is the case in Indonesia, required the repression of dissidence and opposition. A strong state and military, that was at best tacitly accepted to keep people in line whilst the economy was structurally adjusted, was far from in keeping with neo-liberal political theory. But it served vested interests well. Rhetoric that serves to facilitate the World Bank's development agenda includes the rhetoric of apolitical

development, of poverty alleviation, and of NGO collaboration and partnership. Through its rhetoric the Bank implies that its agenda can be reformed and changed through open collaboration with NGOs. However this research has found that it is more likely that it is the NGO sector that the Bank seeks to transform.

A history of the Bank's strategy to engage NGOs reveals that this strategy emerged in the last two decades of the twentieth century as a result of the twin influences of critical NGOs, and the rise of 'civil society' in liberal political thought, examined in Chapter 2. The increasingly vocal and critical NGO voices that exposed Bank rhetoric as little more than self-serving marketing, threatened to de-rail the Bank's development agenda. As well, the "Fall of the Wall" acted as a catalyst for the global rise of civil society discourses. A vision of global neo-liberal political societies, with thriving civil societies (of a certain kind), gained political currency. The emergence of Third World liberal democracies compelled the Bank to more systematically seek to implement its neo-liberal development agenda through mobilising civil society. The Bank's purposes, therefore, are to neutralise the threats made to it by the critical NGO sector and to promote an NGO sector of the kind that supports free market economies within a liberal political order, as is demonstrated by this Indonesian case study.

This case study sought to explore beyond World Bank rhetoric to investigate the relationship between the World Bank and NGOs as it is currently experienced and perceived by the different players. I found that, as is the case for the World Bank in Washington, the Bank's apparent transformation in Indonesia in the post-

Suharto era represents little more than a re-orientation of its strategies to suit its new, relatively liberal, political environment. The new political environment demands new methods, engaging and seeking to modify the critical agendas of NGOs is one of those methods. The Bank's development agenda, however, remains firmly entrenched.

As this thesis and other studies have demonstrated, the Bank embraced Suharto when he came to power on the back of a bloody massacre that promised an end to the 'communist threat' in Indonesia. The Bank eagerly worked with Indonesia's technocrats to build a profitable economy for foreign investors. The cosy relationship saw Indonesia become one of the Bank's biggest lenders in the world. The World Bank ignored the reality of systematic human rights abuses and military repression. Indeed, the suppression of opposition facilitated the on-going success of the development agenda because it enforced a stable political environment that would not threaten the interests of capital and that would continue to act as a bulwark against communism. Independent and critical NGOs were not welcomed by the Suharto regime; it either bargained for or attempted to enforce their silence. The Bank was apparently content, or at least complicit, with this state of affairs.

The recent courting of the NGO sector in Indonesia by the Bank was necessitated by the fall of the Suharto regime. Suharto's authoritarianism and the political stability he enforced were gone, creating problems for the Bank whose economic agenda was already under pressure as a consequence of the 1997/98 economic crisis. The World Bank needed to find new ways to encourage political stability

in order that investors might be encouraged back to Indonesia and the development agenda salvaged. It also needed to distance itself from the discredited Suharto regime and fall into line with the international political penchant for advancing liberal democracy and 'civil society' in the Third World, the rhetoric of which had already been adopted by Bank head quarters in Washington. More over, the NGO sector, in the relatively liberal political environment, found space for voicing and making popular its criticisms of the World Bank. Hence the Bank needed to change strategy, and be seen to be changed. The fall of the 'old' Bank in Indonesia was marked by the departure of the former Country Director in 1999; it made way for the 'new' Bank of the Wolfensohn kind. The new Bank has moved, at least in rhetoric, to embrace Indonesian NGOs. However this case study has demonstrated that in so doing the Bank seeks to create an NGO sector that is fundamentally supportive of its development agenda whilst it continues to marginalise critics.

Liberal political ideology posits NGOs in a sphere alongside the free-market and sees their dual role as restraining the state and socialising responsible (and liberal-minded) citizens in order to support the ascendancy of capital and the free-market. NGOs become benign clubs, associations, networks, and interest groups that do not challenge the basis to the order but act to support it. In other words, in liberal theory civil society operates to promote the hegemony of liberal free market ideology. NGOs become the vehicle through which development services (health, welfare, education, and so forth.) are distributed, and hence they enable the privatisation of development. This liberal vision has now come to dominate development dialogue as evidenced by World Bank rhetoric. The Bank's

development agenda, less able to rely upon strong authoritarian governments for its implementation, is maintained through seeking a compliant and approving NGO sector that perpetuates its hegemony.

The positioning of NGOs in liberal political ideology drives the World Bank's attempts to engage them. As the Indonesian case study reveals, NGOs that fit with the ideal are those that act as either development contractors, or those that represent specific interests that can be negotiated within the Bank's neo-liberal framework. NGOs that undermine the neo-liberal vision of the World Bank by rejecting the development agenda and challenging its fundamental basis do not fit with the vision. The Bank staff in Indonesia attempt to blunt the impact of advocacy NGOs and deflect criticism by questioning advocacy NGOs right to speak on behalf of the population and by questioning NGOs intellectual capacity. The greater the reproach from an NGO the more critical of that NGO the World Bank becomes. NGOs, on the other hand, perceive themselves as infinitely more legitimate and representative than the World Bank whose place and role in Indonesia has never been publicly debated. The Bank staff protect the development agenda by undermining the legitimacy of some NGOs whilst cultivating a relationship with others.

Advocacy NGOs are marginalised by the Bank when it is unable to re-orient them into a community development type mould. Indeed marginalisation is one of the tools of manipulation, as is so called capacity building. The rewards are status, project funds, a small degree of benign influence on government and donors, and the chance to believe that your NGO is indeed making an impact. In

promoting the view that NGOs do make an impact – note for example the Bank in Indonesia advancing the rhetoric that NGO objections to the SSN caused the Bank to cancel the 2nd tranche of the loan – the Bank holds out a carrot to NGOs to keep them on side. However this research demonstrates that the impact of NGOs is routinely limited, and restricted to the technical matters of operationalising projects.

NGOs that critique the World Bank and attempt to transform it threaten to undermine the neo-liberal economic agenda and the political project that supports it. Such NGOs have no place in how Bank staff view Indonesia's future. This thesis suggests that Gramsci offers an analytical framework far more appropriate to understanding the realities of the Indonesian NGO sector. His analysis contrasts the different roles that different civil society groups play, either in manufacturing support for hegemonic ideas and groups, or rejecting the legitimacy of the ruling elite and the hegemonic ideas that serve to prop it up. Indonesian civil society – and the NGO sector – can also be read through this framework. There are those community development NGOs in Indonesia that essentially endorse the Bank's development agenda. As well, there are many (mostly advocacy) NGOs that reject the development agenda, and the status quo power relations in Indonesia, and construct counter hegemonic ideas and strategies. It is this later group that the Bank finds most frustrating. Unless such NGOs can be re-constructed to conform to the neo-liberal vision then the Bank finds no basis for constructive dialogue with them. The 2001-03 World Bank Country Assistance Strategy for Indonesia makes clear that it is willing to form committees with those NGOs interested in a dialogue on specific topics of mutual

concern. It is unlikely that advocacy NGOs seeking fundamental transformation of power relations in Indonesia will find the meetings fruitful to their objectives.

The potency of World Bank dominance over the NGO sector is revealed in the gendered scripting of the relationship between them. The Bank feminises NGOs by promoting the identification of NGOs as irrational, immature, lacking in capacity and intellectual rigour, and overly emotive. Their agendas are therefore perceived as naive, inferior, and without merit relative to the agenda of the World Bank. The employment of gender scripting and identification facilitates the subordination of the NGO sector. Those NGOs that submit to the World Bank's superiority – a superiority that is scripted as masculine and therefore 'naturally' superior – are favoured by the Bank in their relations with NGOs. The Bank establishes its masculinity and dominance by asserting its rationality and expertise in understanding the hard 'science' of economics. The Bank furnishes NGOs with the rhetoric of 'partnership' and 'inclusion' when in fact the gendered construction of its relationship renders such outcomes impossible. In congratulating itself for its inclusive positioning towards NGOs the Bank reinforces and legitimises its masculine dominance over Indonesian NGOs.

An examination of gender matters in this case study has also revealed the willingness of the World Bank to use its rhetoric to mask the dominance of its neo-liberal agenda. In spite of its rhetorical concern for gender justice the Bank is unmoved by the findings and critical analysis of women's groups, activists and academics, that demonstrate the ways in which the neo-liberal economic agenda exploits and further marginalises women. In theory and in reality neo-liberalism

needs women as the dominated and exploited foundation to economic growth. The Bank's gender analysis rests upon the assumption that as women are more fully integrated into the free market economy their empowerment and equality will naturally follow. The Bank fails to acknowledge that the neo-liberal agenda necessarily rests upon unequal and exploitative relationships, including the domination of men over women. Even the rhetoric of the World Bank's gender mainstreaming agenda has yet to be incorporated at the 'new' World Bank in Indonesia. The economic crisis provided the Bank with a justification for leaving gender off the agenda, thus demonstrating the reality of the low priority of women's interests in World Bank development. The distance between World Bank rhetoric on the vitality of gender and women to development, and the reality of inaction in Indonesia is great indeed.

The Bank staff in Indonesia demonstrated that they lack the ability and will for critical reflection of the Bank's economic and political role there. They, like Bank rhetoric more generally, were uncritical of the fundamentals of the economic theory that informed their work (referred to as 'development' economics rather than neo-liberal economics). The economic and political rationality of the development agenda is unquestioned. Within such a worldview there is no room for alternative perspectives and hence the Bank is unable to incorporate, or even negotiate, agendas of NGOs that challenge its worldview. The Bank remains unresponsive to criticism, identifying and labelling the bearer as in some way deficient rather than pursuing self-reflection and critical analysis. Advocacy NGOs threaten the Bank's worldview and challenge it to be self-critical hence the Bank as an institution, and Bank staff, guard against this destabilising intrusion.

The Bank uses the rhetoric of engaging NGOs in partnership for development to mask what are essentially attempts to co-opt and subordinate NGOs, and to marginalise those NGOs that resist.

NGOs in Indonesia are at the crossroads. Having recently been released from the repression of the Suharto regime, NGOs recognise that ongoing transformation of Indonesia's political, economic, and social landscape stills requires recovery and/or reconstruction. However they also grapple with their own positioning within this landscape and their role in reconstruction. Their diversity ensures that NGOs will not find a united position within the emerging frameworks, nor a single uniting and guiding principle. Together with these issues NGOs grapple with the World Bank's new aspiration to engage them in dialogue. After years of urging the Bank to consider its various causes NGOs are now encouraged to work together with the Bank. NGOs in Indonesia are generally highly sceptical, even those more inclined to inside-in strategies approach invitations with caution. NGOs' unique positioning in Indonesian society enables them to challenge hegemonic ideas, encourage rigorous public debate on crucial issues, and promote the transformation of unjust power relations. My research into the World Bank's approach demonstrates that NGOs have good reason to guard against the piecemeal co-option of their agendas that comes with engagement.

I began this research with the intention of examining the relations between the Bank and NGOs in order to develop and present constructive recommendations for pragmatic change that would enable the Bank to be a more effective partner in development. However as my research progressed, and particularly during the

course of my interviews, I became increasingly concerned about the prospects for a constructive dialogue between ‘partners’. It became apparent that the relationship was designed to change the NGO sector rather than to change the Bank. My research clearly supports the conclusion that the NGO sector is actively being recruited into the Bank’s development agenda or else frozen out of it. James Wolfensohn’s rhetoric about partnerships in poverty alleviation emerge as hollow words used to legitimate the Bank’s agenda whilst marginalising opposition to the Bank.

Real partnership with NGOs demands that the Bank undertake a far-reaching critical appraisal of its fundamental agenda and the interests it serves. Such appraisal brings with it the hope of transformation; this is precisely what the Bank vigilantly guards itself from. Ultimately, the Bank is an institution invested with the objective of promoting the interests of a network of its most powerful share-holders and global capital controllers, these interest are served by promoting neo-liberal economics throughout the Third World. All other objectives such as gender equality, education, and poverty alleviation are either instrumental to the primary goal or simply window dressing. The World Bank embracing NGOs in dialogue is, in the same vein, instrumental to the goal of opening poorer countries markets to foreign investment, generating exports, and driving forward other tenets of neo-liberalism.

APPENDIX 1 - BRIEF DESCRIPTION OF NGOs INTERVIEWED FOR THIS RESEARCH.

| NGO Name | Description |
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| LP3ES | <p>The Institute for Social and Economic Research, Education and Information was established in 1971. It is a large national community development NGO that overlaps into advocacy through its extensive research and publications on development. LP3ES networks with national and international organisations (advocacy and community development), and collaborates with the World Bank and the Indonesian state on specific development projects and topics. LP3ES conducts social and economic research, community education and training, consultancy, and information. It has also actively promoted a diverse NGO sector in Indonesia and supported many advocacy campaigns, hence the boundary between community development and advocacy NGO is distinctly blurred. In terms of its relations with the World Bank it is characteristically a type 1 NGO.</p> |
| PACT | <p>A community development NGO with international networks that began in Indonesia in 1981. PACT provides institutional assistance to strengthen the capacity of local groups and NGOs to address community needs and build networks. In the post-Suharto era they have been engaged in promoting grassroots dialogues and education on democracy and human rights. They have been supportive of many large advocacy NGOs and assisted in the development of the sector as a whole. PACT has some overlap into advocacy and, by virtue of the type of dialogues it conducts at the grassroots, also involves itself in some awareness raising at the grassroots. This NGO has been involved in some limited dialogues with the World Bank, is somewhat critical of the Bank's development agenda, but does not directly target the Bank for advocacy campaigns.</p> |
| Bina Swadaya | <p>Established in 1971 this is one of the largest community development NGOs in Indonesia promoting self-help programs. Bina Swadaya engages in a wide array of projects including micro-credit schemes, agricultural work, health projects, and</p> |

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| | <p>small-scale infrastructure development. It has a number of business units that support and help fund its community development work. It works collaboratively with government agencies and seeks closer relations with the World Bank and hence is a type 1 NGO.</p> |
| <p>Yayasan Tambuhak Sinta (YTS)</p> | <p>A community development NGO doing small-scale community projects in East Kalimantan. This NGO was established and funded by a mining company that planned to engage in mining exploration of the area. It has no advocacy or political objectives, its primary objective is to build a functional relationship with the local communities to avoid any resistance from them to exploration and mining in the area. This NGO had no relationship with the World Bank at the time of interviews but would be keen to become involved in dialogues and hence has type 1 characteristics.</p> |
| <p>World Wide Fund (WWF)</p> | <p>Established in Indonesia in the 1970s the WWF is a large and internationally networked conservation NGO of the community development type. WWF collaborates with government and non-government agencies and has an official partnership with the World Bank both in Washington and in Indonesia and hence is a type 1 NGO in its relations with the World Bank. It uses its networks to promote sustainable development projects and undertakes a range of research and community development projects.</p> |
| <p>Social Monitoring and Evaluation Research Unit (SMERU)</p> | <p>SMERU was established in 1998 upon the initiation of the World Bank. It was funded to research the socio-economic consequences of the 1997/98 crisis and also coordinated the community based monitoring program that was funded through various donors as part of the social safety net program. It is a community development NGO that largely provides a research and publication service to the World Bank and to donors. SMERU is something of a World Bank organised NGO and hence is best characterised as a type 1 NGO in its relations with the World Bank.</p> |

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| <p>Indonesian Commission on Violence Against Women – Komnas Perempuan</p> | <p>This advocacy NGO was established in 1998 in response to Indonesian women’s groups outrage over the assault on Chinese women during the May riots of 1998. Komnas Perempuan increases public awareness of all forms of violence against women, advocates for legal and policy reform, promotes local, national, and international networks for the prevention of violence against women. It campaigns to oppose and protect women from both state and domestic violence and offers support to the victims of violence. Komnas Perempuan has been involved in dialogues with the World Bank and challenges the Bank’s legitimacy and development agenda. It is best characterised as a type 2 NGO in its relations with the World Bank.</p> |
| <p>Urban Consortium for the Poor (UCP)</p> | <p>The UCP is an advocacy NGO. It seeks to build a social movement of the urban poor using such strategies as community organising and consciousness raising, collective action, research, lobbying, networking groups of urban poor, campaigns and rallies. It has successfully drawn national and international attention to the plight of Jakarta’s urban poor through its campaigns and media strategy. UCP has recently shifted to adopt a type 3 NGO approach of grassroots consciousness raising. However it has had many type 2 characteristics including some limited dialogues with the World Bank, however since 2000/2001 it has severely restricted its dialogues on the grounds that they are ineffective.</p> |
| <p>LBH – Legal Aid Foundation</p> | <p>A legal Aid Institute that advocates for legal reform and promotes legal justice in labour issues, land disputes, environmental issues, and civil and political rights. LBH operates a national office in Jakarta and has 13 regional offices. It gives legal representation to groups of people otherwise unable to afford access to justice. Cases include land disputes, peasants and small farmers’ rights to access resources, and human rights abuses. LBH predominantly uses class action legal challenges, but also uses community organising and education, and campaigning, as its strategies. It does a great deal of grassroots awareness raising</p> |

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| | and hence has many characteristics of a type 3 NGO, however it also undertakes broader advocacy work and has limited dialogues with the World Bank and so has some characteristics of a type 2 NGO. It is highly critical of the World Bank's development agenda and role in Indonesian political, legal and economic life. |
| JARI Indonesia | The Independent Network of Civil Society for Transparency and Democracy is an advocacy NGO that campaigns for clean governance, no more debt, human rights observation, and democracy. They also undertake some service delivery programs, and were contracted to do some monitoring of the SSN programs in particular locations. JARI does this service delivery work because it believes that grassroots work legitimises its advocacy campaigns. JARI is highly critical of the World Bank's development agenda and challenges its legitimacy and relationship with the former Suharto regime. It has been involved in some dialogues with the World Bank and hence is best characterised as a type 2 NGO. |
| Debt Watch | Debt Watch is an advocacy NGO that campaigns for an end to Indonesian debt and an abandonment of all World Bank debt accumulated under the government of Suharto on the grounds that he was not a legitimate ruler and hence could not accumulate debt on behalf of the Indonesian people. This NGO does not engage with the government of Indonesia or the World Bank on the grounds that they are not legitimate. Debt Watch instead works to raise awareness, educate and mobilise the people at the grassroots of Indonesian society. It therefore has distinct NGO type 3 characteristics. |
| INFID | The International NGO Forum on Indonesian Development is an advocacy NGO established in 1985 under the name of INGI. It is a coalition of Indonesian and International NGOs that gives critical input into the Consultative Group for Indonesia (CGI). INFID advocates for a development agenda that addresses the structural causes of poverty, is in the interests of the poor and disadvantaged, and is based upon principles of peace and justice. It has been vocal in campaigning for changed economic |

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| | <p>priorities, improved human rights standards, reduced debt, and democracy. INFID is highly critical of the World Bank's development agenda and role in Indonesian social, political and economic life. It has had some forums with the World Bank to put forward these views and hence is best characterised as a type 2 NGO.</p> |
| <p>LBH – APIK (Legal aid for Women)</p> | <p>The Legal Aid Institute - Indonesian Women's Association for Justice was established in 1995 and aims for gender equality in economic, cultural, and political life. LBH-APIK advocates for legal and policy reform and the advancement of the status and rights of women, represents marginalised women and groups of women in the legal system, promotes community organising and education, undertakes research, and supports the development of women's support and advocacy groups. In spite of its advocacy role the institute has had no dialogues with the World Bank, instead focussing on Indonesia's legal framework.</p> |
| <p>Indonesia Corruption Watch (ICW)</p> | <p>ICW was established in 1989 in response to the reform movement's calls for an end to corruption, collusion, and nepotism (KKN). ICW is an advocacy NGO that campaigns for democracy and clean, transparent governance. It takes reports of KKN and investigates specific cases, pursuing them through the legal system and exposing high profile cases through the media. ICW also campaigns for law reform. ICW is critical of the World Bank, particularly its role in promoting KKN in Indonesia through its funding and close relationships with corrupt officials. This NGO has had dialogues with the World Bank, indeed the World Bank has been keen to draw this NGO into a much closer relationship on corruption issues. However ICW resists because it believes the World Bank wants to control its agenda. ICW can be characterised as a type 2 NGO.</p> |
| <p>IPCOS</p> | <p>The Institute for Policy and Community Development Studies conducts research in the areas of governance, decentralisation, democratic institutions, peace and security, and community development. It uses its research to inform some advocacy on various aspects of Indonesia's development programs. It has also</p> |

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| | <p>been contracted by the World Bank to conduct some research and because of this relationship with the Bank on technical matters it has sometimes acted with the characteristics of a type 1 NGO, even though at other times it has more of an advocacy focus.</p> |
| KIKIS | <p>Indonesia's Working Group for Overcoming Structural Poverty was established in 1998. KIKIS is a group of NGO activists that came together to conduct research, provide advice, and advocate for changes to the causes of structural poverty and to what they perceive is a fundamentally flawed development agenda in Indonesia. In fact, the idea for the group emerged from the World Bank and was initiated by the Ford Foundation. Those activists involved refused to permit the World Bank to become a member of the committee once it was established. It has dialogued with the Bank on the outcomes of its research and advocates for changes to the Bank's development agenda, hence it is a type 2 NGO.</p> |
| Centre for Electoral Reform | <p>This NGO was established after the fall of Suharto to promote electoral reform and educate voters. It works with the government and parliament to research various electoral and democratic frameworks and promote norms, rules, and laws that will further the democratic objective. It was also involved in the monitoring of Indonesia's election process. Whilst the Centre for Electoral Reform engages in many dialogues with the government and parliament to promote its goals, it also fits with the advocacy NGO type because of its highly critical stance towards the current arrangements and towards the World Bank. It has been a part of very few dialogues with the World Bank, preferring to focus on changing government legislation.</p> |
| WALHI | <p>The Indonesian Forum for the Environment is a large advocacy NGO established in 1980 out of concern for the damaging environmental impact of the development agenda. In addition to its environmental advocacy it advocates for democracy, inter generation justice, gender equality, openness, the rights of indigenous people, non-violence, and self-reliance. As well, it sees part of its role as promoting the community-based advocacy</p> |

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| | <p>movement. WALHI uses strategies such as policy and research studies, advocacy campaigns, community organising, international lobbying and networking, and media liaison.</p> <p>WALHI is a type 2 NGO in its relations with both the World Bank and Indonesian government.</p> |
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**APPENDIX 2 – POSITIONS HELD BY WORLD BANK STAFF
INTERVIEWEES.**

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| Country Director |
| Communications Officer – External Affairs Unit |
| Principal Social Scientist – Environmental and Social Development Sector Unit |
| Economist – Environmental and Social Development Sector Unit |
| Social Development and NGO Specialist – Environmental and Social Development Sector Unit |
| NGO Liaison Officer |
| Task Team Leader & Head of Delegation – Social Safety Net Adjustment Loan |

APPENDIX 3 – THE INTERVIEW GUIDE

This list of questions acted as a guide to the interviews I conducted with World Bank staff and NGOs in Indonesia. There are two separate lists, although they are similar one is tailored for NGOs and the other for World Bank staff. The interviews were somewhat unstructured to allow the conversations to flow and move naturally from one topic to the next, giving the interviewee some ability to direct the conversation. Although I had the list of questions with me in interviews it acted only to prompt me to seek certain information if the interview had not already covered that ground. I began each interview with an overview of my research project and my interest in the subject.

INTERVIEW QUESTIONS – For NGOs

1. About your NGO

Please describe the work of this NGO and your role in it?

In a couple of words how would you describe the role of this NGO in Indonesia today?

What is the history of this NGO?

How is your organisations formed and run?

What sorts of mechanisms are in place to gain community participation?

Who are you funded by?

Do NGOs compete with each other? – How much and why?

Who do you represent and how?

What do your constituents say about World Bank?

How do their voices get heard by World Bank?

2. About Civil Society and NGOs

What is your understanding of Civil Society? Who is 'civil society'?

What does civil society mean in Indonesia today?

Where do NGOs fit in with civil society?

Do NGOs represent all of civil society?

Who do NGOs represent and why?

Who does your NGO represent?

What is strengthening civil society or NGO capacity building?

What does this work achieve?

What is the main goal of development from your perspective?

How do NGOs fit into an overall development objective?

What are the political strengths, weaknesses and uses of NGOs to Indonesia and development?

3. About NGOs relationship to the World Bank

What is this NGO's relationship with the State / Donors / World Bank?

What forums and meetings have you or your NGO been to with the World Bank in the post-Suharto era?

Can you describe these events?

What forums and meetings did you have with the World Bank in the Suharto era? Why?

Why did the World Bank invite you to these? Why did you go?

Why does the World Bank want to talk with NGOs?

What types of NGOs is the Bank most interested in talking to?

Do you think your NGO impacts upon the World Bank? If so, in what way? If not, why not?

Do you think any NGOs impact upon the World Bank? If so, in what way and what NGOs? If not, why not?

How does an NGO become involved with the World Bank?

What NGOs and other civil society groups does the Bank not invite and why?

Do you think there are any other reasons why the World Bank is wanting your input?

How does the legacy of the Suharto era impact upon the relationship – from the position of your NGO, NGOs generally, and the World Bank's position.

What issues get in the way of your NGO and the World Bank having a better relationship?

What are the tensions in the relationship with the World Bank?

4. Issues of Power

In your meetings with the World Bank who invites you and how is the agenda established?

What is the language used? (English?)

Who can attend meetings and why?

Who has access to minutes and why?

What are the types of decisions that the forums make?

To what extent are the decisions of the forum actioned?

What are the group norms and tacit rules – who sits where, who speaks the most, are questions answered, who dominates, etc?

How is conflict or disagreement handled?

What sorts of information are made available to you and what sorts of information do you receive?

5. Outcomes

What is actually achieved by talking with the World Bank? – Long-term and short-term?

Give examples of any successes and failures?

What is achieved for grassroots communities and people in poverty?

What are the outcomes for women?

Could these outcomes have been achieved anyway?

Have you and other NGOs really influenced the World Bank, has it changed in its development model or programs? – if so, how, what are examples?

What are the benefits and dangers of partnerships between NGOs and the World Bank – both for yourself, your agency, other stakeholders, and people of Indonesia?

What impact does this kind of World Bank / NGO working together strategy have at the international level and for other third world nations?

How might partnerships be improved to produce better outcomes?

6. Gender and Women's Issues

What work does this NGO do to specifically address the interests and needs of women?

Have the staff here received any training on women's issues and gender relations?

What work do NGOs in Indonesia generally do to promote women's interests?
What NGOs do this work?

Why is this work important/unimportant to this NGO?

Do you know of any World Bank programs that address women's interests? Is what are they and how do they work?

7. Role of the state

Does the state engage NGOs and if so how?

How is its relationship with civil society different now from the Suharto days?

What is the relationship now like, what are the problems and successes?

Who gets heard and why, etc?

What is the relationship between the state, the World Bank and civil society – the triangle?

8. Role of aid Donors

What role do aid donors have in the World Bank / NGOs relationships?

How do donors affect what NGOs do and say?

How do donors affect what the World Bank does and says?

9. Future

How do you see the future for the relationship between this NGO and the World Bank?

How do you see the future for the relationship between NGOs in Indonesia and the World Bank?

INTERVIEW QUESTIONS – For World Bank Staff

1. About your Role and your perspective on the Bank?

Describe your role with the World Bank?

What is the history of the World Bank in Indonesia?

What's changed at the World Bank since the economic crisis and why?

Why do you think the crisis happened?

What is the main goal of the Bank's development agenda from your perspective?

How do NGOs fit into an overall development objective?

What are the political strengths, weaknesses and uses of NGOs to Indonesia and development?

2. About what you think of the NGO sector in Indonesia?

Please describe the work of NGOs in Indonesia – both before the crisis and since?

What benefits, risks, strengths and weaknesses do NGOs bring to Indonesia?

What do you think NGOs represent?

What sorts of mechanisms do they have in place to gain community participation?

Who are they funded by?

Do NGOs compete with each other? – How much and why?

3. About Civil Society and NGOs

What is your understanding of civil society? Who is ‘civil society’?

What does civil society mean in Indonesia today?

Where do NGOs fit in with civil society?

Do NGOs represent all of civil society? Which NGOs represent who the best?

What is strengthening civil society or NGO capacity building?

What does this work achieve?

4. About NGOs relationship to the World Bank

What is the Bank’s relationship with the State / Donors / NGOs?

What forums and meetings have you been to with NGOs in both the pre and the post-Suharto era? What other forums and meetings have been held between NGOs and the World Bank?

Can you describe these events?

Why do you think the World Bank invite NGOs to these? (Officially and your opinion).

Do you think that engaging NGOs in such discussions and partnerships is a good idea? Why?

Why do you think NGOs came?

Why does the World Bank want to talk with NGOs? (Officially and your opinion).

What types of NGOs is the Bank most interested in talking to?

Do you think NGOs impacts upon the World Bank? If so, in what way and what NGOs are making the most impact and why? If not, why not?

How does an NGO become involved with the World Bank?

What NGOs and other civil society groups does the Bank not invite and why?

Do you think there are any other reasons why the World Bank is wanting NGO input?

How does the legacy of the Suharto era impact upon the relationship – from the position of NGOs generally, and the World Bank's position.

What issues get in the way of the World Bank having a better relationship with NGOs?

What are the tensions in the relationship with NGOs?

5. Issues of Power

In World Bank meetings with NGOs who invites NGOs, who initiates discussions, and how is the agenda established?

What is the language used? (English?)

Who can attend meetings and why?

Who has access to minutes and why?

What are the types of decisions that the forums make?

To what extent are the decisions of the forum actioned?

What are the group norms and tacit rules – who sits where, who speaks the most, are questions answered, who dominates, etc?

How is conflict or disagreement handled?

What sorts of information are made available to NGOs and what sorts of information do you receive?

6. Outcomes

What is actually achieved by talking with NGOs? – Long-term and short-term?
For the development objectives and for Indonesia?

Give examples of any successes and failures?

What is achieved for grassroots communities and people in poverty?

What are the outcomes for women?

Could these outcomes have been achieved anyway?

Do NGOs really influence the World Bank, has it changed in its development model or programs? – if so, how, what are examples?

What are the benefits and dangers of partnerships between NGOs and the World Bank – both for yourself, the World Bank, the NGOs, other stakeholders, and the people of Indonesia?

What impact does this kind of World Bank / NGO working together strategy have at the international level and for other third world nations?

How might partnerships be improved to produce better outcomes?

7. Gender and Women's Issues

What work does this NGO do to specifically address the interests and needs of women?

Have the staff here received any training on women's issues and gender relations?

What work do NGOs in Indonesia generally do to promote women's interests?
What NGOs do this work?

Why is this work important/unimportant to this NGO?

Do you know of any World Bank programs that address women's interests? Is what are they and how do they work?

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Does the state engage NGOs and if so how?

How is its relationship with civil society different now from the Suharto days?

What is the relationship now like, what are the problems and successes?

Who gets heard and why, etc?

What is the relationship between the state, the World Bank and civil society / NGOs – the triangle?

9. Role of aid Donors

What role do aid donors have in the World Bank / NGOs relationships?

How do donors affect what NGOs do and say?

How do donors affect what the World Bank does and says?

10. Future

How do you see the future for the relationship between this NGO and the World Bank?

How do you see the future for the relationship between NGOs in Indonesia and the World Bank?

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