It was in 1997 that a number of events occurred that pointed to a more profound transformation in development finance. This was the year that an external review of the International Monetary Fund’s (IMF) Enhanced Structural Adjustment Fund (ESAF) identified a lack of country ownership as a key problem.¹ It was also the year that the World Bank’s Operation Evaluation Department (OED) restructured its annual reports around the concept of “aid effectiveness.”² And the year in which the World Development Report’s (WDR) central theme was *The State in a Changing World.*³ Each of these actions indicated that something was changing in global development finance. The IMF’s review made it clear that country ownership – a concept that had been circulating among Bank staff for some time – was now a central concern, and signalled the beginning of the institution’s move towards a more formal culture of evaluation. The issue of aid effectiveness emphasized by the OED soon became a central mantra for the Bank, and the donor community as a whole. Finally, that year’s WDR made it clear that the World Bank was once again interested in the state – and hence in politics – even if it was in a very particular form. This is not to suggest that 1997 was a necessary turning point: in fact, many of these shifts and reconfigurations had been in the works for some time, while others only really became institutionalized several years later. Yet each of these reports made these transformations visible in new ways – and in doing so helped make them possible.⁴

This chapter provides a broad overview of the transition from the confident and direct governance style of the structural adjustment era – which was in some disarray but still holding sway at the end of the last chapter – to the new, more provisional form of governance that will be examined in the remainder of the book. The structural adjustment era was characterized by its own approach to the challenges of governance. Institutional actors sought to maintain their expert authority through their faith in technical economic universals, their effort to subordinate politics to economics, their linear conception of time and the future, and their narrower approach to measuring success and failure. By the late
1990s and early 2000s, however, these earlier governance practices had been reorganized and replaced by the strategies of standardization, ownership, risk and vulnerability management, and results measurement, as the confident style of structural adjustment gave way to a more provisional one.

How did this transformation in the practices of economic governance occur? Certain salient events – particularly the failure of development efforts in sub-Saharan Africa, the Asian financial crisis and the more recent global financial crisis – did play a role in fuelling the changes in development financing. Yet it was not so much the events themselves but the ways in which they were taken up, interpreted and responded to that enabled significant changes in global governance practices. These events became contested failures – failures that raised significant questions about the international financial institution’s (IFI) claims to expert authority, ultimately provoking hot debates about what counted as success and failure in development finance. These apparent failures became focal points for contestation, intensifying ongoing debates, exacerbating existing tensions, and ultimately fostering several important processes of problematization. These problematizations took the form of both debates about the character and future of development finance and more practical adaptations and innovations in the various techniques of governance. As they faced the erosion of their expert authority, IFI staff and leaders debated, negotiated and ultimately sought to re-establish their authority through several new governance strategies.

This explanation for the shift in governance strategies still leaves us with a puzzle, however: why were the earlier forms of expert authority so fragile? As I discussed in the last chapter, the 1980s and early 1990s were marked by a confident approach to governance, underpinned by a set of universalist techniques for managing economic adjustment. How did this era of confident economic orthodoxy become subject to this kind of widespread problematization? Drawing on Sheldon Wolin’s interpretation of Max Weber, as well as the work of Michel Callon and Andrew Barry, I will suggest that this fragility is in fact a central dilemma in modern governance – and one that has become more pressing for international financial institutions in recent years, as they have moved into the more complex terrain of domestic politics.

My goal here is not to develop a testable explanation of this transition, but rather to provide a coherent account of how these changes occurred, focusing in particular on the often-neglected role of expert authority. As I suggested in Chapter 2, a focus on the fragility of expert authority, the contested nature of failure and the politics of problematization enables us to understand changes not only in governance norms, but also in the
practices that help to sustain them. What this analysis reveals is neither a linear process of evolution, nor a crisis-defined shift in paradigm, but rather a more complex pattern of changes that involves both recombination and innovation in the governance of finance and development.

I begin this chapter with a brief overview of some of the traditional explanations of the recent changes in IMF and World Bank governance practices. I go on to develop an alternative account that hinges on the fragility of expertise and the politics of failure. I then take up where I left off in the previous chapter, tracing the problematization of earlier structural adjustment-era practices and their replacement with the strategies of fostering ownership, developing global standards, managing risk and vulnerability, and measuring results. I conclude by considering the parallels and differences between this most recent transformation of the practices of global governance and those that have occurred in the past.

As I noted in the Introduction to this book, this way of understanding the change of governance practices over time draws on much of the existing literature on institutional change and also provides some important innovations in our thinking about the role of ideas, the form that change takes, and the character of expertise. Ideas remain a central part of the account, but the emphasis is on small “i” ideas rather than major ideologies. Moreover, what is at least as important as ideas are the techniques that they enable and in which they are embedded, as well as the various actors involved in their day-to-day use. An attention to these smaller-scale, more concrete parts of the process makes it possible to trace the changes taking place in a way that avoids relying on a logic of crisis, rupture and paradigm shift, or on a narrative of linear evolution. In Bruno Latour’s words, the idea of a coherent trajectory is replaced with a series of never-perfect translations as policy practices and ideas are borrowed, combined and transformed over time. Finally, this analysis also takes not just the experts but also the idea of expertise itself down from its pedestal and shows just how fragile and approximate it really is – examining how those who participate within the culture of expertise work pragmatically and imperfectly to maintain their authority.

**Some traditional accounts**

Before I outline some of the factors that played a role in these policy changes, it is worth considering some of the more traditional ways of making sense of the transformations in global economic governance. Scholars and policymakers alike have tended to focus on either the role of state interests (particularly the United States), a paradigm shift in development ideas, the institutions’ learning from past failures, or the
evolution of advanced capitalism. While each of these answers is partly correct, they are also all somewhat misleading.

There is no question, for example, that states played an important role in pushing for certain kinds of changes in IMF and World Bank policy: the US Congress has been an ardent critic of both organizations, while both Bill Clinton and Tony Blair were leaders whose interest in finding a “Third Way” resonated with some of the changes taking place in IMF and World Bank policies. Yet, as I will explore in more detail in the coming chapters, while key state actors did play important roles at certain moments, they rarely got exactly what they wanted. In many cases, there was little overt state disagreement over the policy changes involved: few, for example, were willing to oppose more country ownership or better risk management. The 1990s and early 2000s were a moment of at least partial retreat from the usual state-driven politics of development finance. This does not mean that there were not winners and losers: just that, as I will discuss in later chapters, the dividing lines are more complex than state-based analyses can adequately capture.

Nor were the battle lines primarily those of class. Some have argued that these changes in IFI policy are the logical next step in the evolution of advanced capitalism – whether as a form of accumulation through dispossession, an extension of Northern productivist logics to the global South, or a sophisticated attempt to enhance legitimacy. There is little question that these new policy strategies continue to support existing capitalist economic relations, even if they do give them a somewhat gentler face. While this insight is an important piece of the puzzle, it does not tell us much about why these particular policies were chosen over a myriad of other possibilities. The actual paths taken indicated a much more contingent set of processes than can be adequately captured by such structuralist narratives. Moreover, those who see this as the latest iteration of advanced capitalism tend to assume that the IMF and the World Bank are relatively coherent agents of capitalism who actively support these changes, when in fact, as I will discuss in the Conclusion, they are actually quite divided internally, with many staff ambivalent about the new direction that development finance has been taking.

Changing ideas and norms also played an important role in this transformation, as some constructivist commentators have pointed out. Yet to characterize recent changes as a new paradigm in development policy – a phrase coined by Joseph Stiglitz – is to greatly overestimate the magnitude of the ideational changes involved, and to ignore their more complex history. Many of the norms and ideas that helped give shape to these new governance strategies had been around in one form or another for some time. As I will discuss below, it was their
recombination and adaptation that made them such a potent force. Moreover, the most important ideas have not been large paradigmatic ideas, but rather smaller, more pragmatic ones. In contrast to John Gerard Ruggie’s argument that norm-governed change is more significant than a shift in instruments, in this case, changes in the instruments—the practices, techniques and procedures—were in fact crucial drivers behind the more substantial changes in global governance.\(^\text{12}\)

Finally, the suggestion that these changes were the product of institutional learning is both correct and misleading.\(^\text{13}\) Such liberal analyses tend to miss two important complications: first, they assume that what occurred was that the organizations learned from a set of objective failures (such as the decades of unsuccessful development in sub-Saharan Africa) and developed new policies in response, when in fact what occurred in many cases was that results that had previously been acceptable came to be labelled as “failures” as the tools used to evaluate them changed. Second, such liberal analyses generally treat institutional learning as a benign process relatively free from power relations. In doing so, they miss some of the most crucial struggles taking place as institutional actors seek to renegotiate their authority and recalibrate the ways in which they exercise power.

**An alternative account**

In contrast with these more traditional explanations, this chapter will propose an alternative account focused on the paradoxical role of expertise as both the foundation and key weakness of institutional authority. As I discussed in the last chapter, the governance practices of the 1980s relied heavily on a particularly narrow and economistic kind of expert authority. Its practitioners were certain of the universal applicability of its principles, defining its objects in narrowly economic terms and largely ignoring the complications of politics. This minimalist ontology allowed them to use relatively straightforward metrics to evaluate their policies and to view the future as a more or less predictable extension of the present.

All was not as straightforward as it seemed, however. As I will discuss below, over the course of the 1990s, existing tensions within the World Bank and the IMF’s structural adjustment strategies became more pronounced: the complications of politics continued to intrude, measurement problems multiplied, and the uncertainty and unpredictability of the global environment increased. These tensions did not cause a radical breach in IFI policy, nor did they lead to a coherent process of institutional learning. Although certain key contested failures did play a
role, they did so by exacerbating existing tensions, accelerating the messy and uneven process of problematization and innovation in governance practices. In the process, the relative coherence of the structural adjustment style of governance was undermined: the institutions’ expert authority was attacked, renegotiated and ultimately supplemented.

_The fragility of expert authority_

Why was the IFIs’ expert authority attacked and, more importantly, undermined? After all, we have generally come to think of expertise as not only the most pervasive but also the most secure basis for authority. We owe this perspective on technocratic authority to Max Weber above all others, for his powerful depiction of modernity as subject to the progressive colonization by the technical-rational authority beloved of bureaucracies. Yet, it is actually through a particular reading of Weber, by the political theorist Sheldon Wolin, that we can also begin to grasp the fragility of expertise. Wolin suggests that if one reads Weber’s political theory and methodological work together, it becomes clear that Methodology, as conceived by Weber, was a type of political theory transferred to the only plane of action available to the theorist at a time when science, bureaucracy, and capitalism had clamped the world with the tightening grid of rationality. Methodology is mind engaged in the legitimation of its own political activity.¹⁴

So far so good for our IFI actors, who rely so heavily on the methodological certainties of expert authority. Yet Wolin suggests this scientific solution to the problem of authority is only ever temporary: even the fact–value distinction that was at the heart of Weber’s methodology was an article of faith. It had to exist in order to ensure that values remained within the realm of choice.¹⁵ In such a world, the methodologist, like the Calvinist in _The Protestant Ethic_, or the charismatic leader in _Economy and Society_, is a heroically moral figure, who must not only have faith but actively foster it at times when belief flags.¹⁶,¹⁷,¹⁸ Weber himself lived through such a moment, during the German methodological debates, “when the nature of the social sciences _qua_ science was being contested.”¹⁹ For Weber, Wolin suggests,

The “foundation” for empirical inquiry comes not from empirical data but from “the meta-empirical validity of ultimate final values in which the meaning of our existence is rooted.” These foundations, however, tend to shift and even crumble because life itself is “perpetually in flux . . . The light which emanates from these highest evaluative ideas falls on an ever changing finite segment of the vast chaotic stream of events which flows away through time.”²⁰
Methodological crises are thus generated by ontological contingency. At moments of crisis, when foundational values no longer seem to fit the changing world, methodologists must act: not only finding new methods, but also grounding them in new epistemological claims. They must challenge out-of-date modes of analysis and establish new ones, thus rebuilding the foundation – and restoring the faith – that makes social scientific analysis possible.

There is much in Wolin’s description of potential crises of expert authority that resonates with the experience of development finance actors over the past two decades. We have witnessed the rise of new methodological debates that have sought to challenge and replace the old foundations of development knowledge. Moreover, as I will discuss below, some of the most vigorous and significant debates have been focused on questions about how to measure success and failure, while new policies that have emerged have sought to measure new things in new ways: measuring risk, results, ownership and best practices, rather than compliance with conditions. This is not simply an example of ideational change. It is not just how people frame the world that has changed, but also how they count and calculate and seek to engage with things; a methodological, and ultimately an epistemological, transformation has been underway.

We face methodological and epistemological limits because the finitude of our frameworks and metrics must come face to face with the open-ended character of the world. As Weber points out, the world is “perpetually in flux,” posing a constant challenge to our efforts to understand it. Failure, in this sense, is built into all of our efforts to understand and transform a world that resists us. It is a central feature of modern theory and practice. We do not fail simply because we have not recognized the changes that have occurred, as in the classic dilemma of always fighting the last war. We also fail because the contingencies of the world force us to change our metrics and redefine what counts as success and failure. Failures are always contested, as various actors define or deny them in their own ways. Yet some failures are so contested that they raise these more fundamental methodological and epistemological questions about what counts as failure.

In such moments of more profound problematization, we need to rethink basic categories and re-engineer our practices. In the process, we make the tacit background of our everyday lives the subject of reflexive thought and debate, at least for a time, until we re-establish our methodological foundations and forget their fragility. While such gaps between the world and our efforts to make sense of it will always appear eventually, they can also be intensified or accelerated under certain
circumstances. In the case examined here, both the IMF and the World Bank began in the 1980s to delve into increasingly complex arenas, as they moved into structural adjustment lending. Yet the methodological categories through which they sought to make sense of these more complex objects remained narrow and simplistic, increasing the tensions in their claims to expert authority.

What happens when such gaps grow wider and the fragility of expert claims is exposed? Two other theorists also provide us with some additional clues to such moments. Andrew Barry suggests that agreed practices of measurement and calculation can act to reduce political dispute, by fixing certain decisions and excluding them from the debate; so, for example, if we agree that a development program’s success can be measured using a certain set of metrics, then the assumptions underlying those choices are not subject to dispute. Yet Barry also points out that such depoliticizing effects are not guaranteed: systems of calculation and measurement rely on processes of standardization which are necessarily imperfect when faced with the complexity of the world. They are therefore inherently fragile, and can themselves be subject to political debate – producing something rather like the kind of methodological crisis that Weber was concerned about – and the kind of problematization that I have pointed towards.

Michel Callon uses the term “cold negotiations” to describe those debates in which the basic parameters of measurement are agreed, and “hot negotiations” to describe those in which the basis of calculations may themselves be subject to debate. Many of the debates and transformations that I will survey in this chapter were effectively either hot or warm negotiations, in which the basis of calculation was itself up for grabs. The debates surrounding discussions of the success and failure of development and adjustment clearly constitute this kind of hot negotiation. These debates about what counts as “aid effectiveness” have in turn informed other discussions about the importance of ownership and good governance, the need to manage risks more effectively, and the kinds of measurement techniques required. As I will discuss in later chapters, while many of these discussions were first either relatively cold or warm, over time much of the debate shifted precisely to the question of what counted as ownership, good governance, risk and meaningful measures of success and failure.

The politics of failure

What provokes these more profound debates? Although there are many potential causes, such hot negotiations often emerge in the context of
highly contested failures. These are publicly visible failures that are seen as particularly serious and important, but over which there is significant disagreement about their causes and implications. Such contested failures often pose serious challenges for the actors or organizations that are seen as responsible, and can lead to new problematizations and new strategies. While such contested failures do not cause institutional change outright, they can unsettle taken-for-granted assumptions and practices, come to symbolize existing tensions, and help accelerate the processes of erosion and problematization. In the case of the IMF and World Bank, three contested failures in particular had formative effects on IFIs’ thinking and practices: the Asian financial crisis, the crisis of development in sub-Saharan Africa in the 1990s, and the more recent 2008 global financial crisis. These failures played important roles in the transformation of IMF and World Bank governance strategies — not so much because of what they objectively revealed, but rather because of how they were taken up and represented within and outside the organizations.  

The 1997–8 Asian financial crisis was a serious and publicly visible failure of the international financial system. Yet it was also a very contested failure. On the one hand, critics, including the World Bank Chief Economist, Joseph Stiglitz, argued that the crisis and the IMF’s response to it were both failures of IMF orthodoxy: it was because Asian countries went too far in adopting the IFIs’ prescriptions of financial liberalization that they were left without the tools necessary to respond effectively. Yet IMF staff and management saw the crisis as a different kind of failure — one with domestic political and institutional causes. Together with the US Secretary of the Treasury and mainstream economists, IMF staff argued that the domestic economies of the Asian countries were structurally unsound and distorted by “crony capitalism.” Drawing on the increasingly influential small “i” ideas of institutionalist economics, they argued for the importance of reforming not just economic policies but also economic, legal and political institutions. This reading of the crisis meant that the Fund was not only justified but also required to expand its mandate, and encourage borrowing countries to undertake more profound kinds of institutional reform.

Another important failure that became a focal point for debate around the same time was the recognition of the “decades of despair” (the 1980s and 1990s) in sub-Saharan Africa. In the 1980s, investment declined in the region, exports fell and real per-capita income and food production both dropped, while African governments took on ever-greater volumes of debt. For the Bank in particular, the persistence of poverty in the region and failing to achieve sustainable development was a source of
shame. No matter how brightly they might paint their reports on global and regional development outcomes, the fate of sub-Saharan Africa remained a dark stain. Yet, as with the Asian crisis, the question of what kind of failure this represented was itself the subject of contestation. For critics, it was a clear indictment of the World Bank’s heavy-handed structural adjustment policies. For many Bank staff, it was seen as a different kind of failure: above all, the lesson drawn from this experience was that domestic factors, particularly political capacity and institutional development, played a crucial role in determining the success or failure of development programs.\textsuperscript{31}

This preoccupation with the failure of development efforts in sub-Saharan Africa was not new. OED evaluation reports throughout the 1980s noted that the projects in sub-Saharan Africa had consistently high rates of failure in comparison with other regions – without precipitating the kind of radical rethinking that began in the 1990s.\textsuperscript{32} As my brief overview of the World Bank’s history in the previous chapter reveals, the 1981 Berg Report had also focused on the region’s difficulties and emphasized the importance of domestic factors – yet it drew rather different conclusions: the report downplayed the importance of achieving political consolidation and focused instead on structural economic issues, justifying the structural adjustment approach to economic governance.\textsuperscript{33}

More recently, another major crisis has had a destabilizing effect on the IMF, World Bank and donors: the global financial crisis that began in 2007. Whereas the Asian crisis was largely blamed on Asian domestic governments, it was simply not possible to blame this more recent crisis on other countries or on governments alone. Mainstream economists and IFI leaders finally began to see the markets themselves as a source of considerable instability – a sign of the failure of the West to adequately regulate financial practices and to anticipate the potential for devastating shocks. The recent financial crisis was also a contested failure, with critics arguing that it pointed to a profound failure in the global financial system, and IFIs, most Western leaders and many economists suggesting that the failures were more modest, requiring less radical changes to the system. Yet IFIs and donors did conclude that they had to pay more attention to the fundamentally volatile and contingent character of the global economic system. This more recent contested failure has therefore played an important role in precipitating a shift in how mainstream economists and IFI and donor staff conceptualize the world around them, leading them to place greater emphasis on risk, vulnerability and the ever-present possibility of shocks.

These failures precipitated debates not only within the organizations themselves but also among state leaders, non-governmental organizations
(NGOs) and academics. British and Nordic country leaders seized the opportunity presented to pressure the IFIs to adopt the “aid effectiveness” agenda. In the US, during the final years of the Clinton Administration, Congress was extremely critical of the IMF and World Bank, with the Meltzer Commission proposing a reduction in the role of both organizations. What is most interesting for our analysis is not necessarily the IMF’s blunders in Asia, the continued poverty in Africa, or the growing global financial instability, but how and why these failures became important when they did, sparked particular debates, and helped foster new governance practices.

The problematization of structural adjustment practices

Although these contested failures played an important role in precipitating changes in development finance practices, they did so by amplifying existing tensions and debates. Despite the apparent robustness of the structural adjustment-era governance practices, they were subject to tensions that made them potentially unstable. By tracing these tensions and the processes of problematization that they ultimately enabled, we can begin to understand the dynamics that helped to produce the four governance strategies discussed in this book: ownership, standardization, risk and vulnerability management, and results measurement.

The problems (and possibilities) of politics

Politics always poses a challenge to bureaucratic institutions’ expert authority, given their claim of neutrality and objectivity. Of course, this claim is always something of a lie, since even the most technical of operations has political implications. Organizations must therefore carefully navigate these tensions. During the structural adjustment era, the IFIs’ claims to expert authority depended in part on their ability to redraw the boundary between the political and the economic, redefining issues that had been deemed political as purely technical and economic. Where they did explicitly recognize the role of politics – usually as a problem – they rarely sought to tackle it directly, seeing it as beyond their mandate.

Yet the IMF and World Bank could not ignore politics forever. The deeper both institutions moved into the minutiae of domestic policies and practices throughout the 1980s and 1990s – imposing conditions on public pensions, price controls and privatization – the more vulnerable they became to charges of political interference. Their actions thus ultimately helped to fuel the problematization of the political dimensions
of development finance. NGOs became increasingly vocal critics of the World Bank and IMF’s heavy-handedness, charging them with political interference. The World Bank was the first to respond, and tried to defuse NGO criticisms through various outreach programs. For most of the 1990s, the IMF largely ignored its critics, as staff and management believed that part of their role was to have the “broad shoulders” needed to take the criticisms of domestic forces when a government instituted painful adjustment policies. The fallout from the Asian crisis changed all that, however, as criticism became damaging enough that the organization began to take it seriously.

Interestingly, although the two organizations’ increasing movement into domestic politics was the source of much tension, one of the ways that the staff in both organizations ultimately resolved it was by admitting, and justifying their attention to, domestic issues, rather than by continuing to deny that they were political. Although IMF staff remained coyer than those at the Bank about admitting the political dimensions of their policies, both institutions gradually found ways of tackling more political questions, as did donors such as the United Kingdom’s Department for International Development (DFID), the United States’ Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC). They did so in part by drawing on public choice theory and new institutionalist economics, both of which recognize the role of political pressure and institutional dynamics in economic adjustment, making them amenable to economic analysis. As long as it could be shown that a political issue had significant economic consequences, then it was fair game. “Political economy” (defined in public choice terms) became the preferred lens and euphemism for the previously forbidden subject of politics: one Vice President of the World Bank’s poverty reduction and economic management (PREM) network, for example, refused to let the staff hold a seminar on politics, but would let them hold one on political economy.

IMF and World Bank staff did not just start focusing more on overtly political problems, such as institutional reform; they also became increasingly interested in integrating political techniques into their governance strategies. Although the idea of participatory development in particular had been quite influential among NGOs and certain World Bank units (particularly the Social Development Group), it was only in the mid-1990s that participation was seen as a technique that could be integrated into just about any development policy – including the Poverty Reduction Strategy Papers (PRSPs) jointly adopted by the IMF and World Bank in 1999 (examined in Chapter 5). More generally, both organizations and many donors began to rely more on the active
participation of civil society to achieve their development objectives. They were supported in this shift by key state actors, particularly the British and Nordic country directors, whose home governments had embraced the aid effectiveness agenda. World Bank and IMF staff sought to mobilize new, more active and responsible public and market actors who could pressure their governments for reform, constituting the “demand side” of good governance policy (see Chapter 6).

If NGOs and other critics could charge the IFIs with failure on the grounds of their political interference, the institutions’ staff responded by redefining failure in a different way altogether: studies by Dollar, Svensson and others argued that the failure of programs was linked to political problems in borrowing countries. The adoption of these new political economy ideas, the development of new participatory techniques and the engagement of new civil society actors enabled the IFIs and donors to respond to criticisms of their interventionism by actually expanding their involvement in domestic policy. While this was a paradoxical response, it was an effective one, for it shored up the institutions’ declining authority in several ways. By focusing on the domestic political sources of policy failure, the IFIs deflected responsibility for poor results. IFI staff also had the opportunity to develop expertise in the arena of political economy, and thus to justify their expansion into new terrains. At the same time, by relying more on political techniques such as participation, and (eventually) country ownership, they were able to supplement their expert authority through appeal to popular support within borrowing countries themselves.

The limits of technical universals

As I discussed in Chapter 3, organizations often seek to govern in the name of certain universal values or principles, and to govern through their use of techniques and practices that they deem to be of universal applicability. IMF and World Bank leaders had largely eschewed any overtly moral framing of the organizations’ universalist aspirations in the 1980s, relying on technical economic principles as the basis of their claim to universality. This was an approach that fitted well with their claim to expert authority. Yet this was also a vulnerable strategy precisely because its authority relied so heavily on the promise that one set of economic principles could be applied universally.

The events of the 1990s and early 2000s were seen by many as a major test of these universal economic ideas – a test that the IFIs were widely viewed as having failed. The Asian crisis provides a particularly stark example of the kind of erosion that began to occur in the foundations
of economic orthodoxy. In 1993, the World Bank published a report entitled “The East Asian Miracle,” which sought to make sense of the remarkable economic growth in this region.42 As Robert Wade has so effectively demonstrated, rather than recognizing the positive role played by activist East Asian states in supporting this success, the report’s authors instead chose to downplay it: “The result is heavily weighted towards the Bank’s established position, and legitimizes the Bank’s continuing advice to low-income countries to follow the ‘market-friendly’ policies apparently vindicated by East Asia’s success.”43 Even in the face of consistent pressure from Japan and significant evidence contradicting the Bank’s position, Bank staff and management held onto their singular, universalist conception of sound economic policy.

The IMF responded to the Asian financial crisis of 1997–8 with the same approach, applying policies that had been used to deal with earlier Latin American crises to a radically different policy environment. They also used the crisis as an example of what can go wrong when economies do not fully embrace the strict free-market model, and sought to re-introduce more Anglo-American economic policies to the region. Yet this time, the universalist model came under enormous strain. The IMF’s policies were blamed for worsening rather than resolving the crisis. In 1998, the World Bank published a report that largely blamed the intensity of the crisis on the IMF and the US Treasury.44 There was no longer a consensus in Washington on economic policy. Many of the same economic assumptions about low inflation and economic liberalization continued to underpin IFI policies, yet they were no longer as universally accepted as they once were. The principles that had been so confidently relied on since the early 1980s were now the subject of widespread debate and problematization both within and outside the IFIs.

As the economic universals of the structural adjustment era began to erode, they were not replaced by a dramatically new paradigm. Instead, two different responses to this dilemma emerged: IMF and World Bank staff began to pay more than lip service to the idea that there was a diversity of different economic situations and began to focus more on particular contexts, leading to the strategy of ownership; and they began to redefine universals in more normative and flexible terms – to include norms of good governance and standards of best practice – producing the strategy of standardization. Although IMF staff had always rejected the claim that they had applied a “one size fits all” approach to adjustment problems, after the backlash from the Asian crisis they were forced to modify their approach.45 At the World Bank too, beginning in the late 1990s, there was increasing concern with ensuring that policies on good governance, for example, were carefully tailored to specific local needs and concerns.46
There had also been a long history of interest in the problem of what Robert McNamara called “political will” – the need for domestic governments to buy in to Bank and Fund programs. By the late 1980s, this had been refined into the concept of “country ownership,” which the OED first attempted to measure in 1992, and which the IMF adopted as a key concern in 1998. The strategy of country ownership was double-edged: it promised more attention to local political concerns in order to attain political buy-in, but it also placed greater responsibility for program success on domestic leaders. The practice of fostering ownership thus allowed staff at both organizations to shift much of the blame for policy failure onto domestic political systems; at the same time, it provided techniques for bringing local political leaders and civil society into the programs as more active and responsible participants.

Another major response of the IFIs to the erosion of their technical universals was to supplement them with a different kind of universal. As programs moved increasingly into the business of rebuilding institutions as well as reforming policy, staff sought to redefine the universal principles of the global economic order to include good governance practices as well as macroeconomic policies. As I will discuss in Chapter 6, these new global standards were different from the previous technical universals in several respects: they were broader in scope, explicitly covering political, social and economic issues; they were justified in moral as well as technical terms; and they took a more flexible and visibly constructed form than the economic principles that they supplemented.

The 1990s thus witnessed both the culmination and the decline of the structural adjustment era’s economic universals. While the problematization of these universals was a powerful blow to IFI authority, the two new strategies that have emerged in response have both succeeded in re-establishing it in several ways. Renewed attention to particular contexts and local ownership has required the creation of a range of new forms of expertise for applying political economy frameworks to understand and act upon local contexts. Moreover, by framing these new universals in moral as well as technical terms, the IMF and World Bank leadership has also sought to create a more robust basis for their global authority.

Debating success and failure

Like most international organizations (IOs), the IFIs’ claims to expert authority also relied on their ability to demonstrate at least a certain measure of “success” in their programs. As far back as McNamara’s time, there had been enormous emphasis on making sure that programs were seen to be successful. Yet, as I discussed in the previous chapter,
there were persistent difficulties with measurement and evaluation, as both IMF and Bank staff struggled with the limits of their abilities to calculate and evaluate their programs. Both organizations had always struggled with a paradox of sorts: they could measure those things that were relatively easy to quantify, such as inputs or narrow objectives, and sacrifice measuring less tangible aspects of their programs (in particular the role of influence); or they could focus on these more slippery factors, but in doing so find themselves struggling with measurement challenges.

Fund staff responded by experimenting with different methodologies, while in the 1990s, the OED at the Bank introduced a more sophisticated metric for measuring success, which included an initial assessment of the riskiness, “demandingness” and complexity of the project, and an assessment of sustainability and institutional development. By the 1990s, as the Bank began to assess the success of those projects and programs initiated in the 1980s and to use more sophisticated metrics to do so, they found their success rates dropping precipitously – from the 80 to 85 per cent range to below 65 per cent in the early 1990s. The 1992 Wapen-hans Report was particularly critical in its assessment of the poor success rates at the World Bank, and intensified the search among staff and management for ways of improving them.

In the course of the 1990s, discussions of the problem of failure began to grow more prominent at the World Bank and within the aid community. At a popular level, critics from both the left and the right were vigorous in condemning the Bank for what they saw as wholesale failure: NGOs and groups such as “50 Years is Enough” attacked the IMF and World Bank for inflicting untold damage on the global poor through their neoliberal policies. On the right, there was a growing chorus of critics, many in the US, who argued that aid was no longer necessary in a world of integrated capital markets. In academic and policy circles, a host of studies examined the causes of success or failure in a development project.

The most influential among them included Dollar and Svensson’s “What Explains the Success or Failure of Structural Adjustment Programs?” and the Bank’s own report Assessing Aid: What Works, What Doesn’t and Why, headed up by David Dollar. These studies adopted different metrics from the ones then being used by the OED – focusing on whether policies created “sound policy environments” defined in both macroeconomic and institutional terms. While their conclusions differed in some respects, they both raised serious concerns about the low levels of Bank success and focused on domestic political and institutional factors as the key reasons for program failures. These and other studies also questioned the effectiveness of conditionality – particularly
structural conditionality, which had been the dominant technique of the structural adjustment era. They suggested that without local ownership and domestic institutional capacity to implement policies, increasing the number of conditions was at best pointless, and at worst counterproductive. *Assessing Aid* suggested some significant policy changes, including radically reducing funding to states that did not already possess the right “policy environment.”

These internal critics proposed a different set of criteria for both operationalizing and evaluating aid, using effectiveness as the central metric – a metric that relied heavily on political economy factors. This was a classic example of a hot rather than a cold debate, since the very question of what counted as evidence of success and failure was open to debate – simply getting loans out the door and obtaining a reasonable rate of return was no longer enough to make a project count as a success.

Did these studies both within and outside of the Bank discover an underlying pattern of objective failures in Bank and donor lending? Yes and no. They certainly did point to some troubling findings, but this does not mean that these were the only conclusions that they could have reached: it was partly because staff and scholars started to change the metrics for evaluating success and failure (focusing on institutional development, sustainability, policy environment, etc.) that they began to discover more failures. And it was because of the theoretical lenses that they used in these studies that they diagnosed the problems and solutions as they did.

Both of these studies drew heavily on public choice theory to explain program success or failure, and on new institutionalist economics to propose solutions. From a public choice perspective, borrower governments will generally try to “game” the system by promising reforms that they may not intend to undertake. With aid being fungible (aid dollars allocated for one project freeing up government funds for something else), there are few ways for agencies to control the government’s actions and ensure “success.” Hence, the best way of guaranteeing that the desired outcome is achieved is to lend exclusively to countries that are most likely to use aid effectively – which, these studies suggest, are those that already have “sound” as opposed to “distorted” policy environments. Institutionalist economics, in turn, suggests that sound institutions are also necessary for good policy: hence aid should be directed selectively towards those states that are already in possession of the rule of law, a capable public sector and a low level of corruption.

These debates on aid effectiveness did not reach as deeply into the IMF. Nonetheless, some of the same ideas that were shaking up the World Bank’s policies, such as ownership and selectivity, also started to
take hold at the IMF. In 1997, the IMF embarked on two different reviews of ESAF – the highly conditional and longer-term lending facility that its poorest members relied on. One was an internal review, conducted by the Policy Development and Review Department. The other was an external review, which included among its members Paul Collier, a major figure in the aid effectiveness debate who became an influential actor at the World Bank when he started working there a year later. The two reviews had very different mandates. The internal one provided a very neoclassical analysis of the successes and failures of ESAF programs and recommended budget cuts, inflation fighting and other neoliberal staples. The external review considered the social impact of ESAF programs and, most interestingly, their capacity to foster country ownership, recommending more attention to poverty and social impact and more genuine openness to negotiating with borrower governments.

The two reviews found that political factors had a considerable effect on the success or failure of ESAF policies, forcing the institution to reconsider the key determinants of policy viability. Both the IMF and the World Bank thus found themselves having to redesign the metrics through which they judged success and failure; both began to pay more attention to political factors as crucial; and both also sought new measurement and evaluation techniques that could better capture these more complex dynamics. At the World Bank and among many donors, this search brought them eventually to the attempt to measure development results.

The problem of contingency

One of the subtlest but most insidious challenges to the IFIs in the 1990s and 2000s was the problem of contingency. This was not simply because crises in finance and development occurred: crises do happen and can almost always be blamed on exogenous factors. The problem was that the institutions had not factored the possibility of such happenings into their governance strategies: they had been caught napping. Their linear conceptions of policy time did not provide a way of coming to grips with disasters except in the most reactive of ways. Their promises of predictive power – a key part of much economic theory – turned out to be hugely overstated in the face of these unexpected events. Although in the past, staff might have been able to adapt to unexpected results by further extending the time horizon or creating specialized facilities, the
recalibrated measures of success and failure seemed to suggest that something more profound was going on: if the problem was institutional capacity or the political environment in borrowing countries, and not just the narrow economic factors the IMF and World Bank had been focusing on, then these organizations would need to find ways of engaging those more complex issues in an increasingly volatile context. The contested failures in African development, and in Asian and later global finance, thus helped to precipitate a series of more profound problematizations about how to do the work of economic governance in a more contingent environment.

It was in the context of their grim assessments of development success in Africa that the World Bank’s OED staff first started to make systematic use of the idea of risk. In 1996, their annual report was entirely structured around the idea of a risk-based assessment of project success or failure. Introducing yet another series of new metrics, they sought to categorize all programs in terms of their level of risk and reward, and then map the patterns of risk across regions, sectors and types of programs. Poverty-oriented, institution-building and structural programs were all deemed to be high-risk (but also potentially high reward). The goal of the report, however, was not simply to measure and map such risks, but ultimately to propose ways of reducing them – in order to increase the Bank’s success rate back to 80 per cent. How were they to do so? Here the aid effectiveness literature discussed above became very useful in suggesting that greater selectivity in lending could be the key to reducing the failure rates.

The Bank staff’s perception of the Asian financial crisis and the AIDS crisis in Africa also precipitated a related use of the ideas of risk and vulnerability as a way of conceptualizing contingency: part of what was so shocking about both events was the way in which they not only aggravated existing levels of poverty, but also forced people who had climbed out of poverty back into penury. This again upset any conception of poverty reduction as a linear process. As I will discuss in Chapter 7, staff in the social development unit responded by redefining poverty as risk and vulnerability, an idea that ultimately became a central feature of the 2000–1 WDR.

The Asian crisis also forced the issue of risk onto the IMF’s agenda, having put into question the organization’s capacity to effectively predict and prevent major economic crises. It was in the aftermath of that crisis that the organization introduced its Financial Sector Assessment Program (FSAP), as part of its standards and codes initiative, which was designed to assess a range of different financial risks within participating states and propose ways of mitigating them. Yet, despite much
discussion of developing better mechanisms for predicting and preventing future crises, the IMF did not really begin to take seriously the challenges of risk and vulnerability, particularly for low-income countries, until after the 2008 financial crisis. It was only in the aftermath of that contested failure that Fund staff began to focus on the growing impact of external shocks on low-income countries, a problem that they sought to address by assessing their vulnerability.

If financial crises and the failures of African development challenged the capacity of IFIs to govern contingency, then risk and vulnerability assessment and management seemed to promise a new more effective way of governing the vicissitudes of financial and development reform.

**Conclusions**

Throughout the 1990s, the IMF and World Bank underwent a difficult process of contestation, problematization and redefinition, as IFI staff, political leaders, NGOs and academics debated the meaning of past policies’ failure and challenged the basis of the institutions’ claims to expert authority. As they sought to build a practical response, the IFIs moved away from many of their earlier structural adjustment policies. Instead of always trying to separate or subordinate politics to economics, they developed a strategy that explicitly recognized and tried to address the political dimensions of development finance. They expanded the universals they relied on beyond narrowly economic principles, and framed them in moral as well as technical terms. They developed new metrics for policy success and struggled to develop increasingly complex forms of measurement. And they began to try to come to terms with the contingency of the future and the pervasive problem of shocks.

Although the politics of failure and the fragility of expert authority were key determinants of the shifts that occurred, the actual drivers of the changes discussed above were many: key events, various actors, small “i” ideas and concrete techniques all combined in various ways to make the changes possible. As I suggested earlier, it was not the simple facts of the Asian or global financial crises or the persistence of poverty in sub-Saharan Africa that were instrumental in fostering change, but rather the way in which publicly visible and symbolic failures opened up fundamental debates about the meaning of failure itself. These judgments of failure were themselves partly a product of experimentations in measurement techniques that had produced new ways of seeing the possibilities and limits of structural adjustment programs. Combined with certain practical ideas, like public choice theory, these techniques helped produce competing definitions of success and failure.
Strategic actors including the growing number of critics, organizational leaders and staff chose as one of the key terrains of their conflict this “hot” question about the success and failure of aid and adjustment – some of them putting into doubt the necessity of aid itself. In response, Bank and Fund staff sought to redefine success as “effectiveness,” developing a host of new techniques and policies to improve it. They did so by borrowing, recombining and innovating: taking, for example, the old ideas of political will and self-reliance and transforming them into the practice of fostering country ownership – a strategy that worked as both an explanation of past failures and a direction for future change.

Although this transition has taken a particular shape, we can find similar patterns in the past: the erosion of expertise, the problematization of metrics of success and failure, and the attempt to re-establish authority. In the case of the World Bank, this is not the first time that it has undergone such a process of redefining not just its priorities, but also its criteria for development success. There are many parallels with the transition that took place in the late 1960s, when McNamara announced the failure of trickle-down approaches to poverty reduction, and redefined the metrics of Bank success by insisting that poverty reduction, and not just economic returns, be counted. In fact, much of McNamara’s tenure can be seen as an effort to find new ways of defining and measuring development success and failure.

There are also parallels with the transition that occurred in the early 1980s, when Clausen replaced McNamara as Bank President. As I discussed in the previous chapter, in a remarkably short space of time, not only had the Bank’s efforts to wage war on poverty through targeted “poverty projects” been condemned as failures, but also new metrics for evaluating projects were introduced and integrated into structural adjustment programs. In both of these earlier instances, significant changes in policy – from trickle-down development, to targeted poverty reduction, to structural adjustment – were made possible by the problematization of definitions of success and failure and a concerted effort by organizational leaders to attack the authority of previous forms of calculation and to propose new ones in their place.

While there are therefore important parallels with the most recent set of transformations discussed in this chapter, there are also some important differences this time around. For one thing, the community of organizations and actors involved in the most recent changes is much larger – including many donor agencies, NGOs and IOs like the OECD. The IMF and World Bank have also grown much closer in the past two decades, in mandate if not in culture. This all means that although the policies adopted by these different organizations are often quite different,
there has nonetheless been significant convergence towards a relatively coherent set of governance strategies since the mid-1990s.

The attacks on the Bank and the IMF in particular have also been much more widespread and damaging this time around. While there were academics who had criticized trickle-down development in the late 1960s, it was only after McNamara initiated his “war on poverty” that they gained much influence. By the early 1980s, external actors had begun to play a more potent role, but they were generally elite figures, such as the American Secretary of State, James Baker. NGOs only began to have a real impact on the Bank in the 1980s and on the Fund in the mid-1990s. After the Asian crisis, middle-income countries were also able to throw their weight around a little, paying their Fund loans back early and turning to the private markets for financing – leaving both the Bank and the Fund scrambling for clients.

Finally, but crucially, the scope of IFI interventions also grew markedly in the 1980s and early 1990s as both the IMF and World Bank began to accelerate their movement into increasingly complex terrain. As I have noted above, the number of conditions grew enormously over this period; at least as important, however, was the shift in their character, as more straightforward constraints on credit ceilings or budget deficits evolved into highly detailed requirements to privatize certain industries or pass particular labour laws. This was not only more politically contested territory, but also more ontologically complex material to try to manage and measure. The shift into more structural, policy-oriented lending thus created more room for methodological slippage, debate and failure.

With these increased pressures, the organizations desperately needed to regain the authority that they had lost. Over the next four chapters, I will examine the different ways that they have sought to do so. They have worked hard to re-establish the grounds of their expert authority, using some of their practical ideas, like public choice theory, to expand their scope and stake out new arenas of expertise. At the same time, institutional actors have also begun to expand the forms of authority that they rely on – combining their claims to expertise with increasing appeals to moral and popular authority. As organizational actors have sought to renegotiate their authority, they have developed new ways of sorting and organizing, interpreting and blaming, mobilizing and restraining – in short, they are creating new ways of governing. In the process, new policy strategies have begun to emerge: clusters of heterogeneous policy practices and techniques that together begin to form certain patterns and regularities. In the next four chapters, I will look at these strategies in turn: ownership, standardization, risk and vulnerability management and results measurement.
While these new strategies have been designed to re-establish IFI and donor authority, I will suggest that they do so in a less confident and direct manner than the structural adjustment practices that they have replaced. This is a less direct form of governance, that works through institutions and civil society to effect changes in economic policy; a more proactive form of governance that aims at the long game; a kind of governance that relies on increasingly symbolic techniques; and one that is more aware of the possibility of failure and that seeks to hedge against it. Together, as I will suggest in the next four chapters, these patterns point towards the emergence of a more provisional form of governance and a more provisional kind of expertise.