

3 What came before

The International Monetary Fund (IMF), the World Bank and various donor organizations have introduced a multitude of new policies over the past decade and a half. There is a significant difference, however, between identifying a list of policy changes, and defining them as a series of new governance strategies and as a shift in the overall style of global governance. Since these claims are central to this book, it is necessary to spend some time establishing how these new governance strategies differ from their predecessors.

As I discussed in the last chapter, governance strategies are ways of defining and managing particular kinds of problems. Institutional actors often develop new strategies in the context of debates about perceived failures, such as World Bank President Robert McNamara's claims of the failure of trickle-down development in the late 1960s, mainstream Bank economists' assertions of the failure of McNamara's targeted poverty reduction efforts in the early 1980s, or more recent arguments from non-governmental organizations (NGOs) and economists about the failure of orthodox aid efforts in the 1990s. While these contested failures have things in common – they are all partly defined as failures of expertise – the kinds of responses developed have varied considerably. All governance strategies are thus designed at one level to resolve some of the dilemmas of expert authority. At the same time, each also seeks to respond to a particular problem or challenge.

Each of the strategies I examine in this book both defines and seeks to respond to a certain problem of governance. Fostering country ownership is one way of addressing domestic politics and variation between local contexts. Developing global standards is a means of defining and applying a set of universal principles, which international organizations (IOs) can draw on to justify their actions. Efforts to manage risk and vulnerability are a new way of grappling with the perennial challenge of responding to the unknowns of global governance. Results measurement, finally, is one more approach to the institutional imperative to measure and evaluate policy practices.

Although international financial institutions (IFIs), donors and other international actors have only recently adopted these strategies, they have in the past found other ways of addressing similar problems – through a conception of time that treats the future as more predictable than the current focus on risk and vulnerability, for example. The transition from one set of governance practices to another is neither linear nor inevitable. In some cases, current governance strategies have brought a set of concerns together that were dealt with quite separately in the past. For example, the strategy of fostering ownership brings together previously separate concerns about the relevance of domestic politics, the importance of responding to particular circumstances, and the value of participation. Other strategies have problematized issues that were far less central just a few decades ago: for example, the new emphasis on results makes measurement a far more integral and performative part of economic governance than in the past. The list of governance strategies I examine is far from exhaustive, and these four strategies are not somehow more fundamental than others.¹ Yet, as I will elaborate throughout this book, they are currently central to development finance.

This chapter tackles the historical question of how these governance practices have changed over time by examining how similar problems were addressed in the past. Given the number of governance practices that I am discussing here – covering as much ground in one chapter as I do in four chapters later in the book – I can only provide a basic overview of the major trends involved. I will also be concentrating on the two major IFIs, the World Bank and the IMF, focusing primarily on their practices during the 1980s when structural adjustment was the dominant approach. This history reveals that institutional actors have been confronted in the past with similar challenges to those addressed by the four governance strategies discussed in this book: how to develop universally applicable principles, address the problems of politics and particularity, conceptualize and manage the unknown, and measure the effects of their work. Yet how they went about doing so was significantly different from today. During the structural adjustment era, the IMF and World Bank relied on technical, rule-like economic universals, sought to separate politics from economics, relied on a more linear and short-term conception of policy time, and used more straightforward and episodic forms of measurement.

While there are important links between development finance in the 1980s and both earlier and later periods, the structural adjustment era was characterized by a more confident and direct style of governance practice involving specific kinds of actors, ideas, techniques, authority and forms of power. Yet even as that governance style reached its peak in

the late 1980s at the World Bank and the mid-1990s at the Fund, it was already in the process of unravelling. I will take up the story of this transition in the next chapter.

What came before

When scholars and practitioners debate whether there has been a sea change in development theory and practice in recent years, the reference point that they generally have in mind is the structural adjustment, or “Washington consensus,” era of the 1980s and early 1990s. Hence Joseph Stiglitz talks about a post-Washington consensus era, while certain critics argue that what we are witnessing is really a continuation of structural adjustment under a different name.² If we are to understand what has and has not changed in the global governance of development finance, then it makes sense to spend some time examining this earlier period to tease out the connections and the disjunctions with the present day.

Although the idea of structural adjustment was actually born in the final days of the 1970s under the leadership of then World Bank President, Robert McNamara, the policy came to define both IFIs’ approach to financing development in the 1980s.³ What distinguished structural adjustment loans (SALs) from earlier forms of lending at the Bank was the fact that it was program- rather than project-based and that it was conditional.⁴ Although there had been a few examples of program lending before 1979, most notably in India, Pakistan and Bangladesh, the overwhelming majority of World Bank assistance up to this point was in the form of loans for specific projects such as the building of roads, power plants and agricultural development.⁵ Program lending, in contrast, provided broad-based financial support to governments; the strings, or conditions, that came with this financing were not associated with particular projects, but rather with the economic reforms that the Bank wanted borrowing countries to adopt.

In turning to economic conditionality as a key policy practice, the Bank was adopting similar techniques to those used by the IMF, which introduced conditional lending in the 1950s. Yet between then and the late 1970s, the Fund had relied on a narrow set of performance criteria on first monetary, and then fiscal, policy. It was only once the Fund also adopted SAL in the 1980s that its governance techniques also underwent a significant shift, as the organization began to lend increasingly to very poor countries, for extended periods of time and with a wider range of conditions. Although they retained distinct institutional cultures, the two organizations thus converged in their policies towards developing countries, in many cases developing similar governance practices.⁶

Before standardization

Most forms of governance involve some conception of universality – of the things, values or principles that apply to everyone and not just to a few. Many IOs like the IMF or the World Bank view themselves as universal organizations, with virtually all states as members. They must therefore be careful to consider the universality of their principles and policies. Yet even those organizations that are less global in scope, like national aid agencies, would generally like their policies to be seen as a reflection of universal principles rather than particular national interests.⁷ Governance practices rely on universals in two primary ways. Organizations like the IFIs and donors seek to *govern in the name of* certain values that they deem to be universal – such as good governance, human rights, sound economics or accountability. At the same time, many of these organizations also *govern through* certain techniques or forms of expertise that they see as universally valid, such as particular economic theories or principles.

While IFIs during both the structural adjustment era and in more recent years have sought to govern in the name of and through certain universals, they have defined those universals very differently. As I will discuss in Chapter 6, the recent strategy of standardization, which underpins the good governance agenda and the standards and codes initiative, relies on a combination of moral and technical principles to justify its universality. This “moralization” of finance and development is reminiscent of a much earlier era: Robert McNamara’s war on poverty in the 1970s.⁸ For McNamara, the battle against poverty was a moral imperative, a set of “fundamental obligations accepted by civilized men” that defined the Bank under his leadership.⁹ Yet, not long after McNamara left the Bank in 1981, the organization underwent what Gerald Helleiner acerbically called “another change of religion,” rejecting its earlier emphasis on poverty and rediscovering the virtues of a trickle-down approach.¹⁰ Under the leadership of the former banker and new World Bank President A.W. Clausen, and more importantly under the intellectual direction of the economically conservative Chief Economist Anne Krueger, the Bank redefined its objectives in more narrowly economic terms, focusing on adjustment and efficiency.¹¹ In contrast to the 1970s, the 1980s/early 1990s was an era in which global economic leaders went out of their way to deny moral universals. Some Bank staff even went as far as attacking the moralizing tone of the McNamara years as “imposing foreign concepts of morality” on developing economies.¹²

Although the 1980s was therefore not a decade characterized by much explicit moralizing rhetoric, it was nonetheless underpinned by a set of universalist economic assumptions; these universals simply took

technical rather than moral form. In fact, as poverty and even growth dropped down the list of priorities and economic adjustment came to the forefront, Bank staff's approach to development arguably became even more universalist, as their toleration for policy diversity declined.¹³ The 1981 Berg Report, an influential Bank-funded analysis of development policy in sub-Saharan Africa, argued for the universal applicability of certain policies, including more export-orientation, a smaller public sector and more agriculture-friendly policies.¹⁴ Where McNamara had argued that the mix between public and private ownership of key industries was a matter of domestic choice, Berg and Krueger insisted that public ownership was inherently inefficient, and argued for the superiority of private-based alternatives.¹⁵ The Bank's doctrine became increasingly rigid, internal debate was stifled and the message carefully controlled.¹⁶

Although the IMF underwent its share of organizational convolutions in the 1970s as the fixed exchange rate regime that it had overseen fell apart, it did not experience a doctrinal volte-face in its relationship with poorer countries like the World Bank. Instead, its policies underwent a more gradual series of changes from the early 1980s onwards. In some ways, the World Bank's rediscovery of trickle-down economics and its embrace of neoclassical principles brought it closer to the path that the IMF had been on for quite some time. The IMF's approach to adjustment had always relied on narrowly economic tools – chief among them the Polak model of monetary adjustment.¹⁷ The rigidity of this economic approach to policy had been attenuated by two crucial factors. The fact that IMF programs were generally of short duration, primarily aimed at balance of payments adjustment and designed primarily for middle-income and industrialized economies, meant that a simple set of principles could be reasonably effective.^{18,19} At the same time, the universality of the rules was always complicated by a pragmatic approach to their application, which allowed for more variation in practice.²⁰

During the 1980s, both of these compensating factors were undermined, creating a more universalist approach to economic policy. The IMF scaled up its lending to low-income countries (LICs) that often had more complex economic situations. To address these challenges, both the IMF's informal conditions (letters of intent, ex-ante conditions and the newly created structural benchmarks) and its formal performance criteria grew in scope and number.²¹ As supply-side economics became increasingly influential at the IMF, what had been a relatively narrow set of policy tools began to expand to cover other economic issues.²² Both Bank and IMF staff began to target a much wider array of domestic policies including trade liberalization, tax reform and eventually

privatization, in the hopes that these more “structural” forms of adjustment would yield longer-term economic stability.²³ And although Fund staff and the Executive Board retained their pragmatic approach to interpreting the conditionality guidelines, they did so increasingly to enable the expansion of conditionality into these new areas.^{24,25}

This gradual but relentless expansion in conditions at both the IMF and the World Bank was underpinned by economic assumptions that were believed to be universally applicable. John Williamson famously labelled them the “Washington Consensus” – a set of policy prescriptions based on a combination of neoclassical and supply-side economic assumptions that was believed to provide a universal recipe for economic reform.²⁶ It was *in the name* of these economic universals that the institutions sought to justify their policies in the 1980s. Unlike McNamara’s attack on poverty a decade earlier, and efforts to “civilize globalization” several decades later, these universals were not articulated in moral terms (although it was of course implicitly normative in its distinction between good and bad economic policies). Instead, trumpeting the wonders of “efficiency,” the IMF and World Bank sought to justify their increasingly interventionist and controversial policies through a language of technical universality. At the same time, the universal principles *through which* IFI actors sought to do the work of governing were highly rigid: they were exclusively economic and took the form of absolute rules, rather than the broader and more flexible standards that have become influential in recent years.

Before ownership

This rigid technical approach to finance and development also had significant implications for the ways in which the two organizations dealt with the problems of politics and particularity – the chief concerns that the later strategy of country ownership has sought to address. IOs, bilateral donors and NGOs have always confronted the challenge of balancing their claims to universality with a need to respond to different countries and contexts. Over the past decade and a half, this attention to particularity and politics has become a very visible part of the IFIs’ rhetoric and policies, as they have focused on ownership as the key determinant of policy success. Yet the concept of country ownership has only become influential since the mid-1990s. In earlier times, the Bank and Fund relied on rather different approaches to address the challenges of domestic politics.

In the 1970s, both organizations tended to rely on a strategy of *separating* politics from economics, treating “political” issues as the domestic issues to be decided by borrowing governments and “economic” issues

as more universal in scope and therefore fair game for IFI action.²⁷ Thus McNamara made a clear distinction between what he called economic and political human rights, arguing that the Bank could be active in promoting the first of these, but that it could not get involved in the second.²⁸ At the IMF, there was a similar effort to separate politics from economics. In their first formal debate on conditionality guidelines in 1968, for example, staff and many Board members argued that one of the ways of ensuring that the IMF respected member states' political priorities and values was by avoiding imposing conditions on a borrowing country's fiscal policy (e.g. taxation policies and the budget balance), and focusing instead exclusively on monetary policy (e.g. targeting interest and exchange rates).²⁹ A Fund staff report to the Board noted that:

Budgetary operations as well as the operations of public agencies reflect the social and economic priorities of the member . . . If they are made performance criteria and included in performance clauses, the impression may be created that the Fund is making a judgment on the priorities of the member.³⁰

The staff thus sought to develop programs that were seen to be as apolitical as possible, and saw their limited focus on monetary policy as a way of ensuring this.³¹

In the 1980s, as both institutions expanded into ever-greater areas of their member countries' policies, it became difficult to sustain such claims about the clear lines separating politics from economics. While the organizations continued to maintain that their policies remained apolitical, they did so increasingly by redrawing the boundaries between politics and economics. Gradually, more and more aspects of a state's activities came to be viewed as economic problems. IMF staff, for example, quickly overcame their hesitation about the political overtones of fiscal conditionality, first allowing conditions on fiscal policy, and then moving onto more structural reforms. The Bank also saw a gradual expansion in both the number and scope of its conditions. While the first SAL, to Senegal in 1980, included thirty-two conditions, by 1990 the average number had risen to fifty-six.³² Structural adjustment conditions initially focused on balance-of-payments deficits, seeking to reduce them through export promotion or budget deficit reduction.³³ By the mid-1980s, however, the programs began to focus on supply-side and microeconomic issues, including prices, taxes, financial regulations, privatization and labour market policies: all of these issues, which not long ago would have been seen as matters of domestic political choice, were now seen as primarily economic.³⁴

This shift was widespread. As Gerald Helleiner noted, even Elliot Berg himself, the author of the influential 1981 World Bank report on

sub-Saharan Africa, went from suggesting in 1963 that it was “not the business of outsiders . . . to quarrel about the suitability of the goals set out by socialists in Africa,” to arguing that an export-oriented economy and a smaller public sector would benefit just about any African economy.³⁵ While the Berg Report did note that some of the proposed reforms were likely to be “politically thorny,” and recognized the fragile political context in many African states, one of the central messages of the report was the importance of African countries paying less attention to “political consolidation” and more to “the efficiency of resource use.”³⁶ This conclusion, in stark contrast to the more recent consensus that political stability and institutional capacity are vital to the success of development programs, points to the tendency of IFI staff to deny the political character of their new interventions even as they moved into new, more fraught domains.

The growing faith in the universality of certain neoclassical economic principles allowed both the IMF and the World Bank to pay less attention to the particular situations faced by individual countries. Although directors from developing countries did raise the issues of domestic political constraints and urged the IFIs to respond, the fact that politics were treated as a separate domain meant that they were rarely taken seriously or integrated directly into policy. The only real place for addressing particular political contexts was in the form of exceptions or exercises of judgment.

One of the dominant strategies of both the Bank and the Fund during the structural adjustment years was thus to colonize new terrain as economic and therefore subject to universal economic principles rather than particular political values. Although IFI actors did recognize that domestic political constraints could be a source of policy failure, it was not a problem that they could address directly, since the political was still viewed as beyond the pale of IFI expert practice.

Before risk and vulnerability

This tendency to bracket politics or to treat it as an economic issue was also connected to and sustained by a conception of time that focused on the short-term, assumed considerable continuity between present and future, and treated shocks as exceptional events. This conception of the temporality of policies was quite different from the organizations’ more recent preoccupation with risk, which involves more attention to the ways in which policies evolve over time, and to the unpredictability of the future. As I have discussed elsewhere, all organizations must find some way of coming to terms with various unknowns.³⁷ International

organizations operate in an uncertain environment, in which the long-term success of their policies depends on factors that are beyond their control. This uncertainty has become a more serious preoccupation of IFIs and donors in recent years than it was during the structural adjustment era. The 1980s' more confident conception of the future was underpinned in part by the narrower focus – and tidier ontology – of IMF and World Bank policies: by denying the messy complexities of the political and social character of economic adjustment and development, focusing on a shorter time horizon and treating shocks as isolated events, staff could ignore many of the complicating factors that might upset their programs' evolution in the future.

From its inception, the IMF was created specifically to address short-term balance-of-payments problems: in other words, to provide temporary financing to enable member countries to adjust their economy enough to bring their exports back up and into balance with their imports.³⁸ In this respect at least, the organization did respect the goals of one of its architects, John Maynard Keynes, who suggested that the IMF should be a kind of “clearing union” (rather like a modern-day credit union) in which countries could obtain temporary overdrafts (or credit lines) when in need.³⁹ As the convention of “stand-by arrangements” evolved from the 1950s onwards, countries were able to negotiate access to financing for between one and three years. Following the Polak model, these programs sought to act quickly on borrowing economies by limiting budget deficits and credit creation, rather than tackling longer-term challenges.⁴⁰ Thus, as James Boughton points out, until the creation of the extended financing facilities in the mid-1970s, IMF programs were of a short enough duration that its staff and directors did not need to think through possible tensions between adjustment and growth or consider the long-term sustainability of their prescribed reforms.⁴¹

The World Bank has always had a longer time horizon than the Fund, given that its mandate was initially to help reconstruct Europe after the Second World War, and thus focused on development rather than on short-term adjustment. Yet in the 1970s and 1980s that time horizon was still quite limited in comparison with present practice. The organization's early emphasis on projects was consciously “bounded” in both time and scope, requiring little thought about the longer-term effects of development efforts.⁴² Even when the Bank first developed SALs in the early 1980s, it was assumed that this kind of economic reform would be a short-term “big bang” rather than a more gradual, long-term process. Bank staff did recognize that adjustment was painful, often requiring the elimination of certain subsidies, dramatic changes in interest and

exchange rates, or the liberalization of trade policy – all of which could be politically as well as economically disruptive. Yet it was hoped that this disruption would be brief, with the economy moving back into a growth-oriented phase shortly after adjustment. Underlying this short-term approach were some basic neoclassical economic assumptions: although it was generally accepted that the best economy is one without distortions (understood as government constraints on a free market), it was believed that if you removed just some of the distortions, the remaining ones could have unintended consequences, leading to further deterioration.⁴³ This so-called problem of the second-best solution led economists and policymakers to opt instead for an “all at once” approach to economic liberalization.

Over time, some serious strains did begin to appear in the IMF and World Bank’s optimistic time horizons: as their policies became increasingly ambitious and wide-ranging, and it became clear that adjustment was not working as quickly as had been hoped, both organizations were forced to conceptualize their policies over an increasingly extended time horizon. The global economic system was also becoming more uncertain in the 1970s and 1980s, once the fixed exchange rate system collapsed and the Organization of Petroleum Exporting Countries (OPEC) crises took their toll, forcing both IFIs to address the effects of shocks. The IFIs responded by stretching out the existing set of temporal assumptions rather than reconceptualizing them entirely; staff continued to assume that policies would work as expected, but just take longer than originally anticipated, and with a few extra bumps along the way.

By the mid-1970s, it became clear to IMF staff and directors that short-term loans did not always provide enough time for borrowing members – particularly poorer countries – to make the changes necessary to turn things around. Developing members were particularly supportive of the idea of a longer-term facility; after some deliberation, the Extended Fund Facility (EFF) was created in 1974.⁴⁴ This was followed in the 1980s by the creation of the Structural Adjustment Fund (SAF) and the Enhance Structural Adjustment Fund (ESAF), both of which sought to provide financing over a longer time in order to enable more profound structural economic reforms. Not long after the Fund’s staff created such extended facilities, they became concerned about what they termed “prolonged use” of the IMF’s resources. By 1987, over thirty developing members were considered prolonged users, given the number of times that they had borrowed from the Fund and the outstanding credit that they owed.⁴⁵ As the organization lent more to developing countries and placed more emphasis on structural

reforms, it therefore also began to conceptualize the duration of policies over a longer time frame.

IMF Directors also debated and ultimately created a number of facilities designed to respond to potential shocks. The EFF was designed in part to respond to the disruptions caused by the first OPEC crisis.⁴⁶ The Fund also set up two different oil facilities designed specifically to help countries whose balance of payments difficulties were caused by the increase in oil prices and, starting in the 1960s, the IMF also provided emergency disaster relief in certain cases.^{47,48} These facilities recognized the potential for unforeseen shocks to upset economic development, but they did so by treating the problems as very specific and generally isolated events.

At the World Bank, staff found themselves facing some similar dilemmas. Despite their optimistic assumptions about the speed with which structural adjustment policies would take hold, it was becoming increasingly evident that the complex changes they were trying to achieve were taking longer than anticipated.⁴⁹ In response, Bank staff began to extend the time horizon of their policies from the mid-1980s onwards, sometimes distinguishing between quicker “first” and slower “second-generation” reforms.⁵⁰ Towards the end of the 1980s, the Bank staff began to restructure their evaluation processes to try to take account of the longevity of their programs’ effects. In 1985, the World Bank’s Operations Evaluation Department (OED) introduced the category of “sustainability” in its project evaluations, which it defines as the likelihood of a project sustaining its benefits after completion.⁵¹ The Bank also began expanding its provision of emergency loans for countries whose balance-of-payments difficulties stemmed from various natural shocks, such as the drought that hit Ethiopia and Sudan in the mid-1980s.⁵² In 1984, the Board adopted guidelines on reconstruction, later formalized into an operational directive on “Emergency Recovery Assistance” in 1989.⁵³ Yet, as Kapur *et al.* note, both McNamara and Clausen were resistant to this kind of lending, seeing it as a form of “relief” rather than economic “reconstruction.”⁵⁴

Although the Fund and the World Bank thus conceptualized and operationalized the role of time differently, they both found themselves having to integrate a longer time horizon into their policies throughout the 1980s, as they deepened and expanded the structural aspects of their programs. They also began to find ways of addressing the unknown through peripheral policies designed to address certain kinds of shocks. Yet they both continued to see the future as relatively linear and to treat contingency as a matter of isolated shocks rather than as a more profound challenge to policies’ success.

Before results-based measurement

If there is one defining feature of modern bureaucratic organizations, it is probably the drive to count, measure and evaluate – in short, to translate the world into numbers. As I suggested in the previous chapter, the expert authority that is so crucial to institutional survival relies heavily on such forms of measurement and calculation. Yet, while the urge to quantify has remained constant among IFIs and donors, the form that these measurement practices have taken has changed over time. In fact, processes of evaluation and measurement have become an increasingly important and visible part of the governance of development finance over the past decade. Not only are key IOs and donors paying more attention to their own measurement practices, but they are also pressuring developing countries to adopt new evaluation strategies. The central concept around which many of these new governance practices hinge is that of results.

Although there is a long history of program evaluation at these organizations, particularly at the World Bank, these earlier practices of measurement were quite different from the current emphasis on results. As I discussed above, the policies of the 1970s and 1980s were based on universalist economic principles, with relatively short time horizons. Although, of course, the effects of these policies were far from straightforward, they were nonetheless conceptualized and operationalized in relatively simplistic terms. The metrics used for evaluating the policies, and the definitions of “successful” and “unsuccessful” programs, were also relatively straightforward and short term, focusing, for example, on the economic return to projects. At the same time, however, even in the earliest days of evaluation, IFI staff were aware of some of the dilemmas of expertise, recognizing the difficulties of adequately measuring the more complex dimensions of development financing.

The World Bank’s institutional fascination with measurement and evaluation can be traced to the influence of Robert McNamara, who was known for this love of numbers. He put it particularly clearly when he once remarked: “I see quantification as a language to add precision to reasoning about the world.”⁵⁵ In his efforts to expand Bank lending and reduce poverty in the 1970s, McNamara introduced a host of measurements and targets for tracking loan volumes and poverty statistics. He also created the OED in 1973, which published annual reports evaluating Bank projects, a practice that continues today.⁵⁶

These early reports assessed Bank projects as “successful” or “unsuccessful.” They did so by applying a straightforward metric based on the volume of lending – a measure of policy inputs – and on the rate of

economic return – a relatively narrow measure of output.⁵⁷ Fund staff focused almost exclusively on ex-post evaluation, “assessing the results of work already done, rather than trying to second-guess the decisions of those responsible for current work,” in the words of Christopher Willoughby, Director of the OED in the early 1970s.⁵⁸ Yet Bank staff and leaders had already begun to recognize the limits of their measurement efforts. McNamara himself made it very clear that he saw discrete projects as means to the end of policy influence: for him, the ultimate goal of the Bank’s efforts was to effect the kinds of changes that would ultimately achieve broad-based development and reduce poverty.⁵⁹ Yet he and the OED staff were unable to find a way of measuring that influence.

By the 1980s, the Bank staff had developed techniques to enable them to formalize this effort to influence borrowing countries’ policies through structural adjustment loans, but they were still struggling with the problem of measuring their effects. Most of the OED’s annual reports continued to focus on projects (rather than policy loans) and to define success primarily in terms of project effectiveness (ability to attain initial objectives) and process efficiency (which takes into account some factors that may have complicated the original goals).⁶⁰ By these relatively narrow measures, Bank programs were quite successful, with most years finding success rates of between 80 per cent and 85 per cent – with the notable exception of sub-Saharan Africa, which continued to suffer from much lower rates of success.⁶¹

At the same time as they focused on these narrower determinants of policy success, it is clear from these documents that Bank staff were struggling with the question of how to measure the less tangible but important aspects of their loan programs. As I noted above, in an effort to capture the longer time horizon of structural adjustment initiatives, OED staff introduced the idea of sustainability in 1985 in an attempt to measure the likelihood that projects would sustain their benefits after Bank funds had been disbursed.⁶² The evaluations of sustainability consistently found a lower rate of success than the overall assessment, which tended to focus on the project up to the moment of completion.⁶³ As they began to try to assess such complex factors, OED staff expressed some frustration that the measures remained subjective and difficult to quantify.⁶⁴ Moreover, as staff noted in their 1990 review, although most projects could be evaluated through a cost-benefit assessment of their economic rate of return, they had to rely on their subjective judgment when evaluating the success of structural adjustment programs.⁶⁵ Bank staff had not yet invented a way of adequately translating these more complex problems in quantitative terms – a challenge that would lie at the heart of the later turn to results measurement.

The IMF's history of evaluation has been more sporadic than the World Bank's.⁶⁶ The Fund did not create an independent evaluation office until 2001, and generally relied on occasional internal staff evaluations (and the odd external review) until that time. The IMF Executive Board did, however, mandate periodic evaluations of the conditionality policy beginning in 1979.⁶⁷ The Fund's initial reviews focused on formal performance criteria, measuring the degree of compliance with these conditions and assessing the attainment of key objectives, including inflation rates, balance-of-payments changes and growth rates.⁶⁸ Staff also began to use a variety of methodologies in determining program success.⁶⁹

What is striking about these reviews is the fact that they consistently found very low levels of "success" in conditional Fund programs. The 1979 and 1981 reviews found that the achievement of most of the performance criteria objectives was "mixed" at best, while the 1982 report found that performance "fell short of expectations in many cases."⁷⁰ In fact, as IMF historian James Boughton summed up the cumulative results of the evaluations in the 1980s, the success rate was somewhere between one quarter and one half of the programs initiated.⁷¹ Yet, while these relatively low levels of success were a matter of concern, they did not cause the organization to significantly redesign its approach. Instead, both the staff and most of the Board concluded that the problem was not the model of adjustment itself but a wide range of exogenous problems,⁷² including the fact that certain objectives, like growth, took longer to achieve than was allowed for in the evaluation time frame,⁷³ the role of domestic factors including a "lack of political commitment,"⁷⁴ and the effects of external shocks.⁷⁵

Like their peers at the World Bank, IMF staff were also aware of the limitations of their efforts to measure the success of adjustment programs. In their 1979 report they noted the "significant element of judgment" involved in any evaluation and raised some important questions about the difficulty of establishing a clear causal connection between IMF policy instruments and final outcomes in inflation or growth rates.⁷⁶ In their 1979 and 1981 reports, they also noted that the time frame of their evaluations was too short to assess the implications of policies that take longer to take effect.⁷⁷

The cultures of evaluation within the Fund and the World Bank in the 1970s and 1980s were clearly very different from one another. The Bank had adopted a systematic approach to evaluation relatively early on, one focused primarily on simpler metrics such as inputs and easily quantifiable outputs, but which was gradually beginning to tackle more complex metrics like sustainability. The IMF, on the other hand, adopted a more

ad hoc approach to evaluation and continued to be remarkably sanguine about what appeared to be much lower success rates. Both organizations contented themselves for the most part with relatively straightforward metrics for evaluating policy success and failure. At the same time, both struggled with the limits of their measurement techniques and began to experiment with different ways of measuring less easily quantifiable aspects of their programs.

A confident style of governing

This brief overview of earlier IMF and World Bank governance practices allows us to see both their stability and their fragility in the 1980s and early 1990s. As both institutions moved into the business of lending to very poor countries for extended periods of time and of imposing increasingly complex and demanding conditions, they developed a range of policies that relied on specific assumptions about universality, particularity and politics, time and uncertainty and measurement. By redefining what had previously been seen as domestic political issues as economic ones, they were able to redraw the boundaries between the political and the economic, as well as between the particular and the universal. Fund and Bank staff saw this policy space of universal economic questions as unfolding in a particularly smooth, linear kind of time. As the objects of governance proved to be less tractable and the environment less certain than initially imagined, they gradually extended their time horizon but did not yet substantially rethink their conceptions of time or the unknown. Finally, while measurement and evaluation became increasingly integrated into organizational practice, it remained focused on relatively straightforward metrics, such as volume of lending, economic return, compliance with conditions and achievement of initial objectives.⁷⁸

Are there any broader conclusions that we can draw about the way that governance was conducted during the structural adjustment era? Over the course of the 1980s, World Bank and IMF policies were never static: they continuously changed, as staff and Board members sought to adapt and respond to various problems or to apply new ideas. The experiences in both organizations differed in important ways. And policies were applied in diverse ways in the many different countries, regions and sectors in which Bank and Fund staff were involved. We must therefore be very cautious about making any broad generalizations about the kinds of governance practices developed and employed during this time. With these caveats in mind, however, it is useful to consider whether any patterns emerged.

Nikolas Rose has suggested that: “To govern is to cut experience in certain ways, to distribute attractions and repulsions, passions and fears across it, to bring new facets and forces, new intensities and relations into being.”⁷⁹ This brief overview of the IMF and World Bank’s governance practices during the structural adjustment era provides us with some useful insights into the ways that experience was “cut” and distributed – how the political was differentiated from the economic, for example, or success from failure. It also provides us with some perspective on the ways that different forces were brought into relation with one another, as new facets of developing countries’ experience were made visible – their trade policy, or their public enterprises – and thus amenable to governance.

As I suggested in the previous chapter, we can gain a better understanding of the patterns that inform governance practices if we consider the actors involved, the kinds of techniques that they use, the forms of knowledge involved, and the types of power and authority that they deploy. If we look at who did the actual work of managing the financing of development in the 1970s and 1980s, we find a very limited group of *actors* involved. There were various powerful leadership figures then, as there are today, such as Robert McNamara and Anne Krueger. There were also a few vocal critical groups, such as the Group of 24 (G-24) and the New International Economic Order, who challenged the IFIs, but they were far fewer in number and influence than today’s NGOs.⁸⁰ The most striking difference between the actors involved in governance then and now, however, was the far more limited roles played by borrowing governments. As far as the everyday work of governance was concerned, it was IMF and World Bank staff who largely controlled the process, designing the policies, deciding on the conditions, drafting the reports and measuring policies’ success and failure.

The *ideas* that dominated the structural adjustment era were also considerably narrower and fewer in number than those we find today. There had been some room for intellectual debate and difference at the World Bank under McNamara, with advocates for various approaches to poverty reduction, for example, vying for influence.⁸¹ Under the influence of his successor, A. W. Clausen, the Bank became a far more orthodox institution. Like his Chief Economist, Anne Krueger, Clausen was convinced of the universal value of the free market and private sector institutions. In a speech at the Brookings Institution in 1982, Clausen articulated his faith in a market-based approach to development, noting that “The private sector is what I know best” and “I know it works,” to further economic development in even the poorest economies.⁸² At the IMF, the shift from a more Keynesian-inspired to a more narrowly

neoclassical approach to economics was a more gradual affair. Yet by the 1980s, the IMF Board and staff had also shifted to embrace supply-side economics and the full list of Washington Consensus principles. At both institutions, these economic ideas became something of an article of faith – a set of virtually unquestionable universal principles. In contrast to the small “i” ideas that I discussed in the last chapter, and which have characterized the past two decades, the 1980s and early 1990s were dominated by big “I” ideas like Neoliberalism: ideas that promised a solution to everything and that wore their ideology plainly on their sleeve.⁸³

These neoclassical principles underpinned conditionality as the chief *technique* that IMF and World Bank staff used to govern economic adjustment. Over the course of the 1980s and into the 1990s, they developed increasingly numerous and diverse forms of conditions directed at different aspects of a country’s economy. In contrast with previous and later approaches, the techniques used during the structural adjustment era were direct. Under McNamara, World Bank staff sought to use their funding of projects as a means to obtaining a much broader and diffuse objective – that of influencing borrowing countries’ policies.⁸⁴ Under Clausen, in contrast, the Bank began to use program aid, and the conditions associated with it, to more directly shape domestic actions. At the IMF, the advent of structural conditionality also emboldened staff and Directors to target trade, labour and financial policies more explicitly, rather than relying on the blunter tools of credit-ceilings to affect them.

The documents, or inscriptions, used by both the IMF and the World Bank were also narrowly focused: the key document used to coordinate Bank and IMF programs was the policy framework paper (PFP), a relatively short document and a very different kind of inscription than the PRSP that was to replace it, as I will discuss in Chapter 5. Almost entirely absent from these techniques were the kinds of participatory processes that have come to play such a central role in present IFI practices. Finally, measurement techniques were also reasonably direct and straightforward: they sought to count such things as inputs and outputs, economic return and compliance with quantitative conditions. There was much less effort to measure the less tangible aspects of financing development – the actual effects of specific policies on the longer-term goals of political, social and economic development.

As the IFIs’ growing ranks of critics were keen to point out, the techniques of structural conditionality in particular involved quite visible forms of *power*. Staff at both organizations have of course always been careful to argue that no one is ever forced to accept conditions – since

they always have the choice of turning down the aid. Yet, when that aid is the difference between surviving a balance of payments crisis or not, or when it makes the difference between a crushing recession and a more gradual, if painful, adjustment, then it is not difficult to see just how narrow a government's "choices" become. As the Berg Report itself stated, the goal of structural adjustment was to use aid dollars to achieve "leverage" over countries' domestic policies.⁸⁵ Again, in contrast with earlier attempts to influence borrower policy by buying a seat at the table through project financing, this was a more overt form of power that sought to dictate policies. It was also a particularly instrumental form of power, in which the goal was to change the behaviour of certain actors (government actors in particular) in line with certain economic principles. Of course, structural adjustment policies, and the broader neoclassical economic framework that they rested in, were also in many ways productive: they did make important changes to borrowing countries' governments and markets, changing their character and not just their behaviour. Yet IFI actors were not on the whole particularly reflexive about their productive power, seeing themselves as acting *in* rather than *on* the world.

Perhaps most important of all, however, was the form of *authority* that these governance practices relied on. This was a narrowly expert kind of authority, based on universal economic principles rather than any explicitly moral precepts or popular approval. This expert authority was the source of much of the structural adjustment era's strength: its advocates could present themselves as immune from political squabbles, acting with objectivity to apply the principles of economic efficiency to make a better world.⁸⁶

Does this particular combination of governance factors add up to a broader pattern? I suggested in the previous chapter that historical moments are often characterized by a certain *style* of economic governance. Each style is a particular resolution of the ontological, methodological and epistemological dilemmas of expert authority – the need of institutional actors to show that they really do know what they know, despite an uncertain world. This brief review of some of the main practices that characterized IFI governance in the structural adjustment era reveals a simplistic ontology in which only economics mattered, and everything that mattered could be understood as economics. This narrow conception of the world of economic development allowed for relatively straightforward methodologies for measuring, assessing and acting in it. It also allowed for a very confident epistemological position, in which there was one singular, knowable solution to each of the problems of finance and development. The 1980s were thus characterized by a particularly confident and direct style of governance.

I suggested in the previous chapter that governance styles are often closely connected to the question of failure: contestation over what *counts* as a failure, in particular, can play an important part in enabling changes in expert governance. There were several key ways in which changing definitions of failure played an important role in launching and legitimizing the rise of this structural adjustment style of governance. As I noted earlier in this chapter, shortly after McNamara's tenure at the World Bank ended, the OED began classifying as "failures" many of the direct poverty reduction projects that he had championed.⁸⁷ This claim of failure was part of a broader move to treat poverty reduction as subordinate to the overall efforts to achieve growth through market-based reforms.⁸⁸ The Berg Report itself can also be understood as an attempt to define the problems that the World Bank had faced in sub-Saharan Africa as a particular kind of failure: a failure of the public sector-dominated approach to development that had characterized the region up to that point in time.⁸⁹ These were much less public airings of the failures of development than were to emerge in the late 1990s, and they were also less contested, but they did nonetheless play a role in the transition towards the structural adjustment approach.

How did the various governance practices that characterized the structural adjustment era respond to these past failures and re-establish their authority? I will of course provide a much more comprehensive account of the different qualities of the provisional style of governance that was to follow this earlier set of practices in the coming chapters, so any direct comparison is a little premature. It is nonetheless worthwhile spending a moment tracing some of the major differences between these two styles, considering how they sought to respond to the problems and possibilities of failure. I suggested in the last chapter that the provisional style of governance seeks to re-establish institutional authority through practices that are indirect, proactive and symbolic, and that hedge against the possibility of failure.

In contrast, the structural adjustment style of governance was very straightforward in its relationship with its objects, acting directly on the particular problems (e.g. a country's trade policies or price controls) that it sought to fix. These governance practices were not particularly proactive. Time horizons were quite short, and IMF and World Bank staff were more interested in immediate effects than in playing the long game. Although this short-termism began to shift over time, staff remained focused on changing immediate behaviours (such as budget deficits), rather than tackling the underlying motivations (such as bureaucratic cultures or political will). In part because this governance style relied more on direct techniques, it was also better able to conceal the

constructed and symbolic character of its practices. Conditions, for example, were designed to directly change specific policies rather than being preoccupied with fostering credibility or signalling commitment. The universal principles that defined key policies were narrowly economic, and so were more easily black-boxed than later, more ambiguous, standards of good governance.

Finally, those involved in the practice of governing development financing in the 1980s were not very preoccupied with the possibility of their own failure. Through the OED World Bank staff did engage consciously in the task of differentiating successful and unsuccessful projects, yet they were not particularly concerned with the less successful cases. This was of course in large measure because their success rates were quite high, due in part to the relatively narrow character of the projects and of the criteria for success. At the IMF, the staff's very sanguine approach to the problem of failure is even more striking given that their actual rates of success were quite low. Why this lack of concern with apparent failure? Because these "failures" did not really count as such. They were seen as the product of various exogenous factors, not of the policies themselves, which were based on correct economic assumptions. The certainty of most IFI staff's convictions regarding the universal validity of their prescriptions thus made for a very direct and confident style of governance.⁹⁰

Tensions emerge

Looking back at this earlier period, it appears in many ways to be the golden era of the IMF and World Bank, when they seemed most certain about their mandate and most ambitious in their efforts. While critics certainly abounded during the 1980s, they were treated as marginal. Whether they were fighting in the streets of LICs against sudden increases in the price of basic necessities, or working as staff in a small but growing number of NGOs focused on development reform, they were rarely taken seriously by the IFIs themselves. The economic orthodoxy embodied by the IMF and World Bank also held sway in most universities, as economists interested in development, history or (heaven forbid) heterodox theory were a dying breed.⁹¹ The hegemony of the "Washington Consensus" seemed complete.

As my discussion of the various practices of the structural adjustment era reveals, there were nonetheless some important tensions in this approach to governance. While structural adjustment policy was often presented by its advocates as a natural progression from the Bank and the Fund's earlier policies, it was, like all governance processes, a social artifact that just happened to be particularly well black-boxed, or pushed

into the background. There was nothing natural or inevitable about the particular set of economic principles that were suddenly deemed universal and timeless (as was made evident by the speed with which they were amended in later years); nor was there anything inevitable about the boundaries drawn between political and economic issues, the assumptions made about how adjustment policies would evolve over time, or the ways in which success and failure were measured. However solid and definitive they might appear, these governance strategies were all in fact rather approximate and potentially fragile constructions, full of gaps and tensions.

By the late 1980s and early 1990s, some of these tensions were already coming to the fore. For example, although throughout much of the 1980s it had been a matter of doctrine that economic adjustment did benefit the poor (even if such benefits were not always visible),⁹² by the end of the decade, World Bank staff were more open to the possibility that there might be negative short-term impacts on the poor.⁹³ The IMF, too, became more concerned with the problem of poverty, recognizing that the political backlash caused by unpopular policies like reductions in price subsidies for food and fuel could do serious harm to IMF policies.⁹⁴ Old certainties were thus beginning to come into question. In spite of these challenges, however, structural adjustment and structural conditionality continued to be central to both organizations throughout much of the 1990s. Why and how they eventually gave way to a different kind of governance practice is the subject of the next chapter.