

New Forms of Governance: The Role of the World Bank and Civil Society in Argentina

Abstract

Governance practices are increasingly taking place outside of government. This research will focus upon the example of Argentina, in which the World Bank has implemented policy conditionalities far reaching enough to lead to it being considered by some as a governance institution. In response to criticism (namely the challenges its influence presents to democratic practice) the Bank has developed good governance policies that include the incorporation of local civil society organisations, in order to become more accountable, participatory and transparent. The success of this will be researched in the final thesis by directly assessing both the extent and the quality of involvement between local civil groups and World Bank funded projects in Argentina.

This paper forms part of the proposal for impending research in Argentina - an empirical study of Bank interaction with local civil society organisations, in connection with FLACSO, Buenos Aires, funded through the generous support of the Leverhulme Trust.

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Introduction

Globalisation has changed the form and function of governance.

(Scholte 2000)

Globalisation has created new political spaces, with evidence of governance practices increasingly taking place outside of state governments.

The interactions between the World Bank and Civil Society Organisations serve as a model to observe the changes that have occurred in political action more generally (notably the shift away from state authority). The Bank has a long tradition of protest and reforms, with a diversity of campaigns across countries and issues (Fox 2001) making it a notable case study for observing changes in the political system.

Latin America underwent democratisation throughout the 1980's and as such provides an opportunity to examine the relatively recent evolution of the diverse organisations and processes that have developed in order to create a participatory politics. This process has seen traditional forms of participation by, and representation of the poor, the working population, and others that are structurally disadvantaged altered (Chalmers 1997), which has brought about the rise of indigenous and environmental groups, labour organisations and political parties among others.

Argentina specifically is an effective example of where organisations outside of the state government (namely the World Bank and NGOs) have become guiding forces in the countries political arena and have begun to act as governance agents.

This first part of this paper addresses claims that the World Bank acts as a governance institution. I will then move on to discuss the role of civil society in its efforts to seek legitimation for its activities. Questions are raised as to the extent of civil society engagement following new Bank policies. The conclusion highlights that while these policies may be somewhat from full realisation, the potential and opportunity such a dialogue creates is itself significant and an empowering starting point for civil society in promoting accountable and legitimate political activity by IFI's.

The World Bank as a de-facto sovereign?

Both the presence and influence of the World Bank in Argentina grew following its involvement in the debt crisis of the 1980's, since then it has, alongside the IMF, guided and contributed to the most significant macroeconomic changes that have taken place in Argentina (Tuozzo 2004). The volume of lending is no longer the significant factor in terms of the Banks influence in this region (Culpeper 1997), but it is the reforms themselves that are far reaching in their scope, making a departure from macroeconomic reform, loans are aimed to directly address issues including health, education and the labour market. The Bank has been involved in almost all areas of policy creation and has been directly responsible for more institutional reform than that of the Argentinean state government in the last 10 years (Tuozzo 2004). Bank loans have required the creation of inter-ministerial commissions to manage adjustment processes, new cabinet level ministries and revised civil service, labour and tax codes in order to sufficiently implement them (Nelson 2000), all realms that were previously restricted to the actions of state governments. This has led one critic to refer to the World Bank as “*de-facto sovereign*” and a “*governance institution*” (Cahn 1993).

Part of the reason for the expansion into spheres outside of economic reform is the revised notion by the Bank of what constitutes as development, from a sole economic focus, to the elevation of the poor - with conditionalities being focused upon poverty reduction and social development (Pender 2001). Throughout the 1980's economic growth was considered as the foundation for all other forms of growth; however doubt emerged that the free-market alone would produce such rounded results. It became clear, particularly in cases in both African and Latin America, that specific provision for social welfare was essential. The appointment of James Wolfensohn in 1995 brought about a new focus for the bank and an effort towards re-legitimation following extensive criticism of its structural adjustment policies. The aims of development policies were broadened, with economic growth being relativised as just one aspect of development, along with sustainable, equitable and democratic development (Pender 2001).

High corruption, continued low confidence in the state government, (despite having restabilised its economy¹) and low election turnout has led the World Bank to expand its operations in

¹ GDP in Argentina has increased by 47% in the last 5 years since defaulting from IMF loans in 2002. Poverty rates are at 26.9 % in 2006, compared with 54% in 2003. Analysts suggest that this 5 year period of growth is sustainable and not merely a rebound following recession – Weisbrot, Mark 12.04.2007 A

Argentina and continue its strong position. It has particularly increased lending to public sector management, resulting in a presence in almost every aspect of public policy (Casuburi, Tuozzo, Riggiozzi, and Tussie 2000: 512).

Global financial institutions, which operate independently from the state, are increasingly growing in authority leaving 'citizens increasingly subject to new forms of regulation over which there is little direct control' (Williams 2005). This is significant in terms of democratic practice and legitimacy, since there is no structure in place for those affected by the actions of external institutions to have a voice in policies that will certainly impact upon them.

Good governance strategy as a response

The World Bank has responded to criticism by constructing extensive policy on good governance strategies², which are used as a best practice approach in implementing structural changes and additionally, to address issues of legitimacy in keeping with the more rounded notion of development.

Civil society has become an intrinsic focus of the good governance approach, serving to provide transparency, accountability and participation in the Banks activities (Nelson 2000) as well as improving project delivery. It is hoped that successful engagement with these groups will go some way to establishing legitimacy of the Banks conduct.

The assumption underlying these partnerships is that global civil society can broaden democratic practice by creating additional channels for popular participation, accountability, consultation, and debate, thus improving the quality of governance and promoting agreements that will last.

(Edwards and Gaventa 2001)

Latin American Success Story: 5 years of extraordinary economic growth and poverty reduction in Argentina, A presentation at the Centre for Economic Policy Research. Audio recording available at www.cepr.net)

² This is largely based upon the UNDP model; with key objectives of governance to be accountable, transparent and participatory United Nations Development Programme January 1997, *Governance for Sustainable Human Development*, A UNDP policy document.

The Rise of Civil Society in Argentina

The Argentinean government's inability to respond effectively to economic crisis³ has led to widespread dissatisfaction with the state's ability to involve society in meaningful decision making, particularly with regard to economic policy (Jacobs and Maldonado 2005). This has not only seen the World Bank step in to a leading role, it has also resulted in the rise of politically active civil society groups. Argentina specifically has one of the most diverse loan portfolios ((Tussie 2000) resulting in a range of issues, actors and sectors becoming involved in their implementation, making it a site of diverse political actors.

Civil society is often perceived to be at the centre of international policy debates and global problem solving (Edwards and Gaventa 2001). These organisations are seen as key to progressive politics (Scholte 2000, (Falk 1999). They have emerged through the same political spaces as other non-traditional actors and international organisations, yet they are unconstrained by the state system as those with member governments are. They are indicative of the variety actors taking part in governance activities. There has been an increasing trend by MDBs as well as businesses, since the 1980's to create structured contact between CSO's in an attempt to create a better image for their activities through their endorsement, to gain more political support and to use them in project implementations and operational activities. This has led to a more organised response on the part of CSO's leading to the creation of various working groups (NGO working group on WB 1984 which focused on structural adjustment Weiss and Gordenker 1996).

Following the economic collapse of 2001 (which saw levels of *extreme* poverty double to 27% within a 12 month period in 2002; Grugel and Riggiozzi 2007: 10) and the pre-crash cut in state welfare spending in order to meet IMF interest payments – confidence in the government diminished. Citizens started looking outside of the state government for representation of their interests and civil society organisations began assuming roles that traditionally belonged to the state in order to support the rising poor.

³ For more information on the Argentinean economic crisis of 2001 and its subsequent default on loan repayment to the IMF see Setser, B. and A. Gelpert (2006). "Pathways Through Financial Crisis: Argentina." Global Governance J1 - Global Governance **12**(4): 465-487.

Civil Society Outreach

In order to take advantage of the opportunities engagement with Civil Society provides, the Bank has embarked upon a systematic and serious dialogue with NGO's (Pender 2001). There is continued emphasis on partnership, and the opening of a 'development dialogue'. As part of this trend, in the 1990's the World Bank created more in country positions through a process of regionalisation, in order to encourage stakeholder links and foster relationships with Civil Society Organisations (Tuozzo 2004 109).

In 2002, the World Bank introduced a team of Civil Society Engagement specialists to deal with the growing level of engagement activities to enhance coordination of their engagement work and to allow greater civil society access to the Bank itself. This is supported by country level staff, as well as civil society groups at regional and global levels. (World Bank 2006). This is a trend also seen within CSO's, with efforts directed towards building advocacy networks and working groups⁴.

Growth in levels of poverty, inequality and exclusion has made it necessary for the state to invest in social welfare in order for the economic model of development to remain sustainable. Increase in the provision of social and poverty alleviation programs is frequently the context in which new mandates in lending strategies, focusing on transparency, accountability and participation are being applied (Tussie and Tuozzo 2001).

Is Civil Society engagement sufficient to ensure legitimacy? (Unfinished section)

Civil society organisations represent disparate interests, yet Bank rhetoric often refers to these groups as though they represent similar issues. Much of the policy focus by the World Bank is based upon Western conceptions of Civil Society and not the ones that exist in Latin America, whose political culture puts individual interest ahead of notions of the public good or collective rights (Tussie and Tuozzo 2001).

⁴ For example the NGO working group on the World Bank (NGOWG) restructured itself to form regional assemblies to maintain its base with other NGOs. The Latin American Association of Popular Organisations (ALOP) is a regional development of NGO's with a variety of coordinating functions and is active in advocacy with the World Bank. Its leaders are now located in a regional basis. There are also 9 Lead Regional Partners (LRPS) that serve as hubs for information dissemination and exchange that hold lists of NGOs, activists and academics. This makes for interesting comparison with the WB's present advocacy network. They aim to build up a broader network to respond to issues as they develop among their network participants (Nelson, P. (2001).

- Are the World Bank using Civil Society Organisations to bypass the state, for example utilising them in privatisation of public services?

- CSO's have been criticised as poorly rooted in society in some cases . Are they really legitimate representation of a public voice? What they can provide is a system of checks and balances of a democratic system. These criticisms ought to be taken on board by CSO's with no more unsubstantiated claims of 'representing the people' and an explicit recognition that voice and vote rest on different types of political legitimacy (Edwards and Gaventa 2001).

Rhetoric or reality?

Acuna and Tuozzo (2000) claim that there is discriminatory application of the participatory practices. Reforms and adjustment programmes remain closed, with participatory programmes being confined to compensatory and social assistance loans, and even then are limited to certain stages of the project cycle.

Tussie and Tuozzo (2001) stress that any real participation by CSO's is more likely to be within compensatory projects than strategic ones. Even in this case involvement is often restricted to certain stages of the project cycle. Consultation is only obligatory where visible negative impacts on affected groups must be avoided (Tussie and Tuozzo 2001 107)⁵ this leaves a significant leeway for choice about inclusion as there is no binding commitment in Bank policy. Consultation is frequently limited to surveys of client preference and satisfaction and those whose interests are clearly in opposition to proposed reforms are frequently excluded (Acuna and Tuozzo 2000).

The challenges of cooptation?

There is no doubt that changes to incorporate civil society and improve the accountability of Bank practices on a policy basis have occurred, but there is frequent evidence to suggest that it does not employ these in every aspect of its operations. There are many aspects of non-developmental

⁵ This relates to the environment, Indigenous peoples and resettlement

lending and macroeconomic adjustment loans that CSO's would certainly not advocate (Brown and Fox 2001).

However, having good governance policies and an open dialogue encouraged, serves to raise expectations of participation and interaction. This will mean that it is more likely to be drawn to public attention when involvement is restricted and that it can be tackled on a case by case basis. It is a reform *process*, with policy initiatives by the Bank providing the vital first step. CSOs can work to monitor the fulfilment of these policies in order to ensure they are both comprehensive and enforceable. The opening of the discourse itself is a significant step towards long term changes.

Globalisation and political change are not deterministic, while preferences of the elite may be followed there is still space remaining for alternative action. There has emerged an excellent opportunity for civil society to reassert progressive influences on political life and an opportunity to create a more balanced view of societal/market relations (Falk 2001:7). NGO's can support and encourage the positive aspects of what the World Bank does (while maintaining a perception of its motivations) and in doing so establish a more sophisticated position (Powell: 2006 Eurodad Annual Conference).

CSOs and the World Bank have mirrored each other to an extent with the regionalisation of activities and additionally, viewing legitimisation as a key aspect of development. This is representative of their longstanding relationship and signifies the potential for future cooperation.

Conclusion

There have been undoubted changes in the landscape of lending operations, however many authors suggest that there is still a significant gap between rhetoric and reality. Policies of participation and dialogue have been frequently used in order to legitimate top down processes, rather than to foster innovation in key areas of decision making (Tussie and Tuozzo 2001).

A key issue is that of the World Banks proscription of non political intervention (Nelson 2000). Through attempting to foster alternative conceptions of development, policies have very much veered into political territory. The World Banks 2001 mandate (Tuozzo 2004) forbids it to become involved in borrower countries domestic policies, yet it is involved in institutional development and has government reforms that lock into an economic model of development. It's

expanding governance agenda stretches the bounds of what can be justified as essential to economic performance” (Nelson 2000:419).

The Bank's policies preference reform objectives and economic issues rather than the comprehensive problems of representativeness and social welfare, its view of governance is to manage the economy effectively (Tuozzo 2004:106). Currently the Bank maintains a coercive position. While good governance initiatives and CSO participation provide a better tack on conditionality, what has occurred is a politicisation of the World Bank that has allowed it to take more control of borrower governments than ever before, owing to the range of political issues it addresses. In this light, incorporation of CSO's could be perceived as an attempt at neutralisation (in a hegemonic sense) of the alternative concerns of non-state actors.

The arena of IFI's is arguably where NGOs have made the most visible progress. The questions I will be raising whilst conducting my fieldwork is whether civil society will reproduce existing inequalities or will take full advantage of the political spaces available to influence decision making.

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