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HUNGER ON THE RISE IN THE PHILIPPINES

By Jenina Joy Chavez, Mary Ann Manahan and Joseph Purugganan*

The Philippines government has responded to the recent Social Weather Stations report of rising hunger with promises of food coupons. While admitting that the plan is just a temporary relief, the response belies a lack of understanding of the real problem and is indicative of how unprepared the government is to tackle these issues. To address the worsening problem of hunger and poverty, the government should buckle down to the serious business of revising its food, agricultural and trade policies.

WHAT THE SURVEY DOESN'T SAY

The Social Weather Stations (SWS) survey reported an alarming 15.1% of households reporting hunger, or not having anything to eat at least once in the three months prior to the survey, with Mindanao reporting the highest incidence of 23%, followed by Metro Manila at 15.7%. (1)

Agricultural production expanded by 6.61% in the first semester of 2004, with crops and fisheries leading the growth. (2) So why are people hungry? The answer lies not in the availability of food, but rather in the people's capacity to access food. Inflation is one culprit. Starting at a low rate of 3.4% in January, it reached 5.1% in June and peaked at 6.9% in September. Next is unemployment and underemployment, which stood at 13.7% and 18.5% in April, respectively. While this has improved a bit in July (also owing to improved agricultural production), the fact remains that more than four million job seekers cannot find jobs, and 5.6 million of those who have jobs are not working full time or desire more work.

The employed also have to contend with low wages. Wages range from 140 to 250 pesos (US\$2.50-4.46) in industry, and 131 to 213 pesos (US\$2.34-3.80) in agriculture, depending on the region. (3) This means that a family of five must have two

members working full time and earning a minimum wage to meet at least their monthly food needs, which the government estimates at 3,349 pesos (US\$59.80). (4) But how many poor families actually have two members employed formally?

In short, people have become much poorer and less able to access food because of meagre income. If the self-rated poverty reported in the SWS stabilized at 53% (which is low compared to previous results that hit as high as 60%), the SWS was quick to note that this was because of belt tightening or the lowering of people's economic standards. All the more reason that the problem should be attended to immediately – people are bracing themselves for an even lower quality of life.

LIBERALIZATION: CURSE RATHER THAN CURE

Liberalization has become the backbone not just of Philippine food and agriculture policies but of development policy as a whole. Since 1981, the Philippines has been pursuing a comprehensive and radical program of trade liberalization. Through the Tariff Reform Programs I – IV, the Philippines has unilaterally reduced nominal tariff rates from 23.5 percent in 1993 to 7.71 percent in 2001. Under the common effective preferential tariff scheme, tariff rates were reduced to zero on about 60% of all Philippine products in the inclusion list for the ASEAN Free Trade Area. Similarly, the government committed to bind all our agriculture products to the agreement on agriculture under the World Trade Organization (WTO) and to further reduce agricultural tariffs in continuing trade negotiations. (5)

What has this policy achieved so far? While they will always present results in a positive way, even research by mainstream economists cannot deny the negative impacts of liberalization. One such research (6) pronounces that “the reduction in tariff rates between 1994 and 2000 is generally poverty-reducing” but such decline varies across regions, where regions with the lowest initial poverty enjoy the bigger poverty reduction compared to those already much poorer to begin with. Further “(a)griculture contracts, while agriculture factor prices decline. Overall income inequality worsens as a result.”

Straight out of the horse's mouth – trade liberalization has been hurting agriculture and the already poor population. Statistics bears this out. Agricultural employment declined from 11.29

million jobs in 1994 to 11.22 in 2003 (7) despite our government's insistence that joining the WTO would create half a million jobs annually. Real wages continue to fall, the highest fall (including even non-agricultural wages) being experienced in Muslim Mindanao. (8)

PRECARIOUS FOOD ACCESS

While the hunger may be borne out of income declines, unless government seriously reorients its food policy there could be a real supply crunch in the future leading to increased prices.

The liberal attitude towards food policy produced a new definition of food security that emphasises availability and affordability rather than prioritizing agricultural production. Importation has become a strategy equal to production and no longer just a policy tool to address production shortfalls. As a result, the Philippines has not graduated from being a net food importer. The national food import bill has been increasing over the last ten years, from \$714 million in 1993 to \$2.38 billion in 2003. (9) Yet even the supposed advantage of a liberalized trade regime on consumer prices remains elusive for Filipinos. Food inflation continues to outstrip overall inflation.

Thirty-nine percent of the country's labour force depends on agriculture (only 2/3 of whom are employed), and they have to compete for the shrinking share (to GDP) of the sector from 22% in 1993 to less than 15% in 2003. Moreover, they have to contend with the continued encroachment of industry and speculative ventures into productive land, the continued lack of incentive and support to agricultural production, and steep competition from imports.

The low priority given to food production is worrying, given that even with trade, global food production has been unable to catch up with demand. According to the Food and Agriculture Organisation, food harvest is expected to fall short of meeting consumption for the fifth consecutive year in 2004. (10) This reality should be considered seriously by government, to at least temper the rabid optimism that trade liberalization alone will solve our food security concerns. Nor will intensified agriculture and use of GMOs do the trick without first addressing food safety, biodiversity and production viability.

MINDANAO: HUNGER IN THE FOOD BASKET

The SWS survey highlights the special case of Mindanao. The Mindanao situation has been punctuated by ironies throughout history, not least of which is hunger in a region blessed with vast food and agricultural resources. Certainly you would expect more from a region that runs an annual trade surplus (in bananas and crude coconut oil) of around \$600 million in recent years. (11) Nor is hunger new to Mindanao. A few years ago, it was devastated by severe drought that government refused to acknowledge immediately, until the hugely successful Tabang Mindanaw campaign pressed the issue in its face.

Mindanao is the poorest island. Four of the five poorest regions and six of the poorest provinces in the Philippines are in Mindanao, including all four provinces in the Autonomous Region in Muslim Mindanao where more than half of households live in poverty. (12)

The problem can be rooted to the long-term marginalization of Mindanao in national development policy. The bias against agriculture has been felt most harshly in Mindanao because it is farthest from Manila. Access to land is worst in the region. The lack of peace and order, and insurgency problems contribute to the vicious circle of poverty and violence in the region. Unfortunately the government's uncritical support to the war on terror aggravates rather than abates the Mindanao quagmire.

Gloomy as it may seem, Mindanao illustrates the worst of the Philippine government's blind adherence to liberalization and non-independent security policies. And try as the government might to deflect the focus from Mindanao, it will keep coming back to it. After all, a country is only as good as its worst region.

* The authors are from Focus on the Global South – Philippines and members of the Stop the New Round!, a coalition campaigning against a new round of trade liberalization under the WTO.

(1) The Social Weather Survey for the Third Quarter of 2004 found a near-record-high 15.1% of household heads reporting that their families had experienced hunger, without having anything to eat, at least once in the last 3 months. The SWS survey, done on August 5-22, 2004, also found 53% rating themselves as Mahirap or Poor, even though household heads are tightening their belts, or reducing the minimum home expense level they define as poverty. The 3rd Quarter 2004 Social Weather Survey was conducted over August 5 to 22, 2004, using face-to-face interviews of a

national sample of 1,200 statistically representative households (300 each in Metro Manila, the Balance of Luzon, the Visayas and Mindanao), from 240 geographical spots selected from all regions. Error margins of $\pm 3\%$ for national percentages and $\pm 6\%$ for regional percentages should be applied. <http://www.sws.org.ph>

(2) Bureau of Agricultural Statistics, Performance of Philippine Agriculture, January-June 2004.

(3) National Wage and Productivity Commission, <http://www.nwpc.dole.gov.ph/>

(4) Poverty Statistics, National Statistical Coordination Board, <http://www.nscb.gov.ph/poverty>

(5) Ibid.

(6) Cesar Cororaton and J. Cockburn, Trade Reform and Poverty in the Philippines: A Computable General Equilibrium Microsimulation Analysis, 2002

(7) Bureau of Agricultural Statistics data.

(8) National Wage and Productivity Commission, <http://www.nwpc.dole.gov.ph/>

(9) World Bank Database, Philippines at a Glance, 9 September 2004,

www.siteresources.worldbank.org

(10) Geoffrey Lean, "The More We Grow, The Less Able We Are to Feed Ourselves", Independent, August 29, 2004.

(11) Sylvia Concepcion, et al., "Breaking the links between economics and conflict in Mindanao", International Alert, December 2003.

(12) Ibid. See also the National Statistics Coordination Board website (<http://www.nscb.gov.ph>) and Human Development Network, Philippine Human Development Report 2002.

THE WORLD BANK IN THE LAND OF KIOSKS: COMMUNITY DRIVEN DEVELOPMENT IN EAST TIMOR

By Ben Moxham*

It's hard to avoid kiosks and their sad stories in East Timor. In one quiet, dusty clearing in the village of Meligo, in Bobonaro district, five groups of widows had set up five of these small shops next to each other. Here, the customers most likely to purchase some of their imported, packaged goods were the scabby, salt-resistant bushes littering the clearing. The women had each obtained a micro credit loan as part of the World Bank's Community Empowerment and Local Governance Project (CEP), and saw only one business option in the wretched economic environment of the newly independent nation.

Fifty four per cent of CEP micro-credit loans went to kiosks and the resulting "oversupply" has led to predictable owner complaints of few customers and too much competition. These difficulties are exacerbated by the sky-rocketing price of wholesale goods due to the inflationary pressures of the international reconstruction circus with its well paid consultants and US dollar-economy.

The widows from Meligo don't know the exact financial health of their businesses because they are illiterate, but a World Bank researcher does and concluded that in 70 percent of cases, widows under this program wouldn't make enough money to pay back the original loan. If the project actually enforced loan repayment, most of the recipients would have plunged further into poverty. Welcome to independence.

THIS NEW BUSINESS OF COMMUNITY DEVELOPMENT

As the dust cleared in the aftermath of the Indonesian military orchestrated chaos following the August 30th, 1999 vote for independence, the World Bank arrived. With key Timorese elites, they led a 'Joint Assessment Mission' which drew up a policy blueprint for the new nation and the Trust Fund for East Timor (TFET) - a trust fund the Bank would administer to direct donor funds into this framework. While the UN focused on elections, law and order and creating an interim national government, the World Bank, IMF and ADB set about reshaping the country's economy.

The widows of Meligo are a tragic example of what happens when the World Bank's agenda of hastily building a market economy (the leitmotif

of all the Bank's projects in Timor) is dumped on a deeply scarred subsistence economy. The CEP was the micro economic flagship of this agenda, and more. It was meant to kick start the rural economy and to "build democracy" by decentralizing government by giving locally elected CEP councils block grants to spend on small projects they felt best met their community's development priorities.

Commencing in early 2000, the \$18 million project covered all of the country, using all of the new vocabulary of development: A 'decentralised' system of village development councils would (a) exercise 'good governance' through the 'transparent' and 'accountable' use of three cycles of project funding to (b) 'empower' communities to 'participate' in their own 'poverty alleviation.' At the project's wind-up, nearly three years later, over 400 CEP councils have helped cover the country with a range of community projects such as repaired roads, water sanitation projects and micro credit funded kiosks.

The CEP is part of the Bank's foray into what it labels Community Driven Development or CDD. Many 'developing' countries now have some variant of this World Bank program. In all, \$5.6 billion was spent on CDD in the financial years 2000 to 2002 and the figure rises to \$9.7 billion if expenditure to lay the groundwork for these programs is included (1).

The move into CDD and 'good governance' also mirrors the Bank's move into the financially riskier area of post-conflict reconstruction. As Anne Carlin from the Bank Information Center points out in a recent report on IFI activity in Afghanistan, IFIs such as the World Bank have moved into nation building as a 'new line of business' to offset the reduced demand of large borrowers such as India and China (2). Timor's Bank-managed trust fund system has been replicated in Afghanistan and was recently proposed in Iraq. All of these developments strengthen the claim that the World Bank and other IFIs are the de-facto managers of the 'developing' world.

'DRIVE-BY' NATION BUILDING

The Bank's CEP in Timor epitomizes the contradictions of the new trend in nation building on the quick. It tried to both deliver speedy material assistance and to leave behind robust institutions of local governance that would "empower" communities to tackle their own development. The Bank prioritized the former, keen to show project results in a competitive reconstruction environment accountable primarily to donors.

After pressing for the quick disbursement of project funds, training timetables were cut short, forcing the more participatory training topics to be scrapped. As one project trainer reflected, 'The CEP had a pile of rules to limit corruption but a participatory development model needs time to develop and this was wiped out through program speed.' Detailed project rules and novel council structures need explanation and consequently, community confusion was rife. 'The irony here,' remarked one district CEP worker, 'is that they'd ask us to finish in two months but the community would not understand the project and this would create conflict. As a result, it would end up taking four months.'

The Bank states that 'participation' is the key-stone of the CEP: 'projects will be produced by communities for community activities' (the emphasis is theirs) (3). However, this idea of empowerment was limited usually to deciding in what order the community would build either a water project or a bridge. But there are so many more exciting possibilities of what 'empowerment' can mean. From Porto Alegre, Brazil to Kerala, India, the decentralization of state power into local hands has been a positive response to a state under the crisis of debt, corruption or IFI-enforced austerity programs. Participatory budgeting in Porto Alegre, for example, attempts to allow the grassroots to engage and challenge state power and in the process, revitalise those linkages that budget cuts or policy stagnation has severed.

Instead of this, the communities under CEP got a technocratic World Bank task manager sitting atop a massive project infrastructure of project manuals, procurement guidelines, organograms, supervision missions and Key Performance Indicators. According to one project trainer, the councils 'began to resemble little more than an aid disbursement mechanism.'

Even the scope of the communities' choice of projects seems to have been restricted by the Bank's preference for infrastructure projects that nurture the market. As the first Project Appraisal Document states, only 'economic infrastructure' would be built under the CEP. (4) While this language was changed in subsequent documents, these biases appeared to have already leached into the project approval processes. For example, despite education and health being identified as the top priorities during broad community consultations for a national development plan,

schools and health clinics were barely funded under the CEP. (5) Yet rural health facilities are direly needed in a nation where nearly one in every one hundred women dies during childbirth (6) and in education, the average student to teacher ratio is 52. (7) Can kiosks double as birthing clinics?

This brand of participation did little to engender enthusiasm amongst community members. As a result, 'participation' was identified by many CEP staff and council members as the biggest problem facing the project. Without people to monitor and contribute to council processes, the system was placed under an incredible strain that no amount of curt Bank memos to project staff could fix. The CEP is an unfortunate example of the depoliticisation and bureaucratisation of some recent, radical and participatory experiments in popular democracy (8).

BRINGING DEMOCRACY TO THE COUNTRYSIDE

Project designers were initially enthusiastic that the CEP councils were to be the key institution of local governance. The councils were introduced on the contradictory premises that they would fill a governance void at the local level and provide clarity to the complex structures already existing. It was a deliberate attempt to alienate both the political power of a pervasive and legendary clandestine resistance network and more traditional structures of local leadership. This idea was marketed as part of a civilizing mission: a way to bring a one-size-fits-all model of democracy to the countryside. But these pre-existing authorities had a genuine local legitimacy that the CEP councils never acquired.

In contrast, the councils struggled to establish a purpose beyond being the transmission line to World Bank-controlled dollars. They were frequently identified by community members as 'Banco Mundial' councils or part of 'the company'. Their fragile political status and financial muscle often led to a variety of problems, as pre-existing authorities either tried to usurp them or they caused community loyalties to splinter in the early, confused and usually unaccountable, scramble for council funds. Consequently, other providers of external assistance such as international NGOs were deterred from consulting with the tarnished councils and usually relied on more traditional structures. (9) Despite these project crises, many communities had their own successful and diverse ways of emerging through this to make good use of project resources.

STUNTING GOVERNMENT

The CEP played a role in the Bank plan of entrenching a small government in Timor-Leste by providing for the outsourcing and self-management of many service delivery arms of government as well as local level governance structures. As a justification for their neo-liberal predilections, the Bank warned Timorese elites to avoid the bureaucratic ghosts of Suharto by not replicating a bloated and corrupt government, 'disconnected from the needs and wants of the people.'(10)

But this is to simplify the Indonesian administration. While their military's actions in Timor are a strong contender for the worst act of genocide of the 20th century, the administration, as remembered by one Timorese, 'opened a lot of schools, created work for unemployed people, built up the infrastructure, shops, markets and other facilities.'(11) Now, the free market has ushered in mass unemployment and expensive basic commodities causing the conversations drifting along the streets of Dili to cast a positive light on these aspects of the old regime.

The CEP treated East Timor as a blank slate, bypassing any institutional knowledge in the former administration. Instead, the project used technical assistance from the fledgling private sector that lacked the skill and ability to plan or coordinate with other projects. Two years later, with technical failure common and many projects facing uncertain sustainability, one World Bank report concluded that perhaps it would have been better if projects had coordinated with line ministries 'who have the technical capacity to advise on appropriate design guidelines.'(12)

It is a common story across Bank run CDD projects. In his review of the Bank's 2004 World Development Report, Tim Kessler noted that they 'typically bypass local government' and that 'a significant sample of CDD (Social Fund) water operations revealed a likely sustainability of 24 percent of operations.'(13)

At a heated meeting in Manatuto District, local government staff were angry about a decentralization model that failed where they believed they could have succeeded. For them, technical failure, corruption and community confusion and conflict were the common symptoms of an uncoordinated and poorly designed system of governance.

After the meeting, the agitated District Develop-

ment Officer led the research team across miles of sweeping rice paddies to what he thought summed up the failures of CEP: an irrigation project that had lost its tussle with some basic laws of physics. The consequences of project cost cutting and poor technical skill would be expensive to fix. 'This thing just floods' he sighed.

The CEP frustrated a national government that felt it was 'treated like the bombeiros', a fire-brigade, called upon only to dose the flames of project failures. Although the project was nominally under a government department, it was left out of the day to day running of the project. CEP staff were in practice more accountable to the Bank. Fuelling this division between the parties was the Bank's attempt to create CEP staff in their own image. Superior salaries and resources for project staff caused tensions with government, especially as the government department director handling CEP was meant to supervise a project manager earning four times his salary.

This is a theme now transcending national boundaries: a well paid, managerial elite, overseeing the outsourcing and impoverishment of social services - while communities are forced to pick up the slack in an act of what establishment social scientists have excitedly misdiagnosed as 'community empowerment' or the 'rebuilding of social capital'. One disgruntled community member interviewed didn't need as many words to describe this: 'This is just doing the work government used to do but being paid less for it.'

The project did achieve some success, though. Water projects in particular vastly improved access to and quality of water to communities, especially helping women who do the bulk of cooking, washing and cleaning. But the project's failures overshadow these achievements, especially as 58 cents in every dollar was spent on overheads (14) - largely to prevent the problem ridden project from derailing. In addition, while much of this money went into capacity building and institutional development these skills will be scattered to the wind when a frustrated and newly elected government winds up the project.

RETURNING TO THE LAND OF KIOSKS

The most enduring legacy of the CEP will be its problems with micro credit. Micro credit can usually do little wrong in the eyes of the development establishment. Funders and NGOs alike are excited by what is a rare breed of development project - one that is neo-liberal friendly and manages (sometimes) to alleviate poverty. However the correlation is always a fragile one. Sim-

ply assuming that handing out some capital and some basic accounting skills will cause the poor to blossom into savvy micro entrepreneurs ignores the deep causes of people's poverty.

Instead, credit often placed recipients in a precarious position as many spent the money on urgent needs or ran what, for them and everyone else, was the only viable option, a kiosk. Overall, poor business health, combined with a lack of education about the scheme and a dysfunctional system of incentives to repay, mean that only 30 to 40 per cent of credit will eventually be repaid.

In response, the Bank tried to correct these deficiencies, arguing for more training of credit recipients and better and more accessible information on market activities. But there are stark limits to what this can remedy. One credit recipient living on the lonely and barren coastline of Bazartete sub-district, cynically observed that she was thankful for the one day of training in business tactics she'd received from the project two years ago. It helped confirm her long held conclusions that her kiosk was miserable, as were any other possible business options.

One ardent supporter of micro credit in Timor defends the proliferation of kiosks, arguing that, having seen foreign goods in kiosks, farmers have an incentive to increase their production. Apparently it takes the lure of kiosks selling instant noodles to motivate farmers to increase local food production, something seasonal hunger - experienced by 78% of Timorese - hasn't managed to do. (15) Instead, kiosks are often undermining local production by selling cheaper imported cooking oil, rice and coffee. With almost half the population living on less than 55 cents per day - the UN's absolute poverty line - East Timor is the last country in Asia that can afford these free market experiments. (16) Development instead must promote local industries and agriculture and move beyond Timor's non-competitive advantage in selling other people's goods.

WHO'S DRIVING COMMUNITY DRIVEN DEVELOPMENT?

The Bank's entry into community development and local governance has been met with mixed responses from affected communities, aid workers and activists. Perhaps they should bear in mind the following:

Firstly, the CEP shows that the Bank has borrowed concepts such as 'Community Empowerment' and the 'rebuilding of social capital', and

has used them like pieces of theoretical putty to cover up the gap between the Bank's rhetoric and their manifest failures of the past twenty years of structural adjustment. In the process, these concepts are being emptied of their meaning and used as a smokescreen for extending the Bank's ambit of operations. (17) For these reasons this model should be resisted and their license for using terms like 'empowerment' and 'participation' revoked.

Secondly, if the Bank's Transitional Support Strategy was meant to place the East Timorese government 'in the driver's seat' - the Bank's current phrase of choice - then in the case of the CEP, the government was the taxi driver, taking instructions and money from its World Bank passenger. And where was that car driving? Through a maze of contradictions inherent in building a nation on the quick and across flimsy theoretical foundations that masked the inappropriate imposition of free market economics on the grassroots. Perhaps it's time for the Timorese to repossess the car, and kick out the free-loading passengers.

*Ben Moxham is a volunteer with Focus on the Global South, based in East Timor. He worked with a joint government-civil society Timorese research and evaluation team looking into the Community Empowerment and Local Governance Project (CEP). He moderates an e-list on 'post conflict reconstruction' which you can join by emailing ben@focusweb.org

Notes

- (1) Nalini Kumar, 'Community Driven Development: Lessons from the Sahel, an Analytical Review' Working Paper, The World Bank Operations Evaluation Department, 2003 p. iii
- (2) Anne Carlin, 'Rush to Reengagement in Afghanistan: The IFIs Post-Conflict Agenda', Bank Information Center, (December 2003)
- (3) World Bank, 'CEP 1 Project Appraisal Document' (2000) p. 2
- (4) A nation-wide consultation for Timor-Leste's National Development Plan organized over 1000 forums covering more than 38,000 Timorese citizens. They produced the 20-year national vision for the country; identifying education, health and employment as the top priorities.
- (5) 'Timor Leste: Poverty in a New Nation: Analysis for Action', National Poverty Assessment Project, (May 2003), p. 75
- (6) 'The 2001 Survey of Sucos: Initial Analysis and Implications for Poverty Reduction', ETTA, ADB, World Bank and UNDP, (October 2001) p. 39
- (7) World Bank, 'CEP 1 Project Appraisal Document' (2000), p. 9
- (8) See Chapter Six of 'Depoliticizing Development: The World Bank and Social Capital', John Harris, Left Word (October 2002) New Delhi
- (9) See 'East Timor Community Development Review Report', Community Development Working

Group (December 2001)

(10) World Bank, 'CEP 1 Project Appraisal Document One' (2000) p. 9

(11) Tanya Hohe and Sofi Ospina, 'Traditional Power Structures and the Community Empowerment and Local Governance Project: Final Report' (June, 2001) p. 55

(12) World Bank, 'CEP 3 Project Appraisal Document', (2002), p. 39

(13) Tim Kessler, 'Review of World Development Report 2004, "Making Services Work for the Poor"', taken from www.networkideas.org (January 2004)

(14) World Bank, 'Background Paper to the Timor-Leste and Development Partners Meeting, Annex 3: Key Issues in Expenditure Policy and Management', Dili (3rd-5th December, 2003) p. 25

(15) The 2001 Survey of Sucos, above n. (7) p. 59

(16) UNDP 'Timor-Leste National Human Development Report' (2002),

(17) For a thorough dissection of social capital and how Bank-led economics is colonising the social sciences, see Ben Fine, 'It Ain't Social, It Ain't Capital and It Ain't Africa', *Studia Africa*, No. 13, 2002, pp. 18-33

"GOOD GOVERNANCE" AND THE MDGS: CONTRADICTION OR COMPLEMENTARY?

Alejandro Bendana*

(This paper was first presented at the Institute for Global Network, Information and Studies (IGNIS) conference in Oslo, 20 September 2004.)

THE POST COLD WAR CONTEXT

The Millennium Development Goals (MDGs) and good governance, among other initiatives, were products of the post-Cold War period, and today may be victims of the post- post-Cold War period. Context analysis is crucial before we proceed to unpack the concepts. Given the security-obsessed times in which we now live, we may even look back with nostalgia at the early 1990s when there was a gradual elaboration of an expanded normative framework for international affairs under the UN umbrella. Indeed, in the early part of the decade, a series of international conferences sought to generate a global agenda on issues ranging from population and sustainable development to human rights and gender. These conferences served to underline the importance of multilateral approaches to addressing global problems and affirmed the role of the United Nations as an important instrument of global governance.

In many ways, the Millennium Declaration was a culmination of these processes and provided a global plan of action to deal with the world's most persistent problems.

The MDGs formed part of an innovative international approach to international affairs firmly grounded on the concept of "liberalism" as fundamental to peace and economics. According to that approach rooted in Western history, political and economic liberalization would be effective antidotes to violent conflict and to poverty and underdevelopment, all under the tutelage of the rich countries and in particular a new United Nations revitalized after the disappearance of the Soviet Union. Thus, promotion of human rights, democracy, elections, constitutionalism, rule of law, property rights, good governance, neo-liberal economics have become part and parcel of the international peacebuilding/good governance project as well as the basis for a rapid surge in social and economic affairs.

NORMATIVE PROBLEMS

In much of the development debate today, the notion of governance has been presented as the missing link to successful growth and economic “reform” including the attainment of the MDGs. (1) But governance has diverse understandings. There is one that is people-centered and there is another—unfortunately predominant—which in our opinion takes us away from democracy and the possibilities of genuine development (including the attainment of the MDGs). In essence, a faulty notion of “good governance” is taking us away from the goals because it entails placing the state and society at the service of the market, under the presumption that economic growth alone will deliver development.

A discussion over governance is important because it influences not only mechanisms but also strategies, each of which in turn responds to ideological presumptions about development and the means to attain greater economic democracy. Unfortunately, the overly-eager leadership of the World Bank in framing the good governance debate, as with the UNDP and World Bank partnership to implement the MDGs, tends to narrow the possibilities for a critical examination of the World Bank’s role in crating poverty and malgovernance through their structural adjustment programs and “state modernization” schemes. Questioning the global trade and finance regime, and global political malgovernance, is clearly outside the hegemonic discussion parameters—to avoid approaching malgovernance, hunger and extreme poverty as political issues, preferring instead to leave them in the hands of highly-paid “technical” experts.

Poverty, hunger and bad government cannot be eliminated without the democratization of policy making to the most local level possible. This in essence would be a critical feature of democratic governance. Unfortunately decision-making is going in the other direction, as it is increasingly concentrated in the hands of a few multilateral institutions.

GOOD GOVERNANCE A LA WASHINGTON CONSENSUS

In this paper, we will concentrate on the official Bretton Woods institution’s line on governance, examining it in its own terms. According to the Washington Consensus, good governance consists essentially as the political administration of economic policies: the deregulation of exchange, trade and prices systems, the preferential treatment of individual and corporate investors, while eliminating governmental involvement in credit

allocation. In short, all measures necessary to complement and reinforce neo-liberal economic policies while leaving the social model untouched. The chief presumption being that attracting investment and “aid” is critical to long term development, and that good governance is the link between the two.

The state is the other actor critical in this debate over MDGs and good governance. The state was one of the first victims of the post-Cold War ideological and cultural offensive, virtually “satanizing” the state while exalting the virtues of the market. Intellectuals and to some degree populations came to believe that governments were responsible for all evils. A couple of decades down the line there is a reconsideration of the assumptions that the state is evil and inefficient while markets are good and efficient.

Donor rediscovery of the state (good governance) is somewhat suspect. In the face of multiplying zones of conflict and increasing poverty after more than a decade of neoliberal policy fixes, it is not surprising that multilateral agencies are looking for explanations. Of course neoliberalism is not to blame. Instead, we have a new explanation of the deteriorating social environment: the absence of “good governance” and the existence of corruption. Thus the international community comes up with a new fix but not every one is fooled by the silver bullets of MDGs and governance. For example, when the 2002 Human Development Reports concluded that good governance and strong institutions were necessary to foster economic growth, the august Economist took the conclusion to task reminding its readers that “governance and democracy, even together, are not enough”. (2) As it the 16th century wars of conquest, the sword had to accompany the quest to “reduce” the Indian savages who were to be deprived of their lands and families in the process.

In reality, the upsurge in the concern over governance responds to the need to provide answers to the inevitable question of what to do in the light of the failure of structural adjustments and “economic reforms” to deliver political stability. In another sense, though, neoliberalism is reaping rewards, at this new stage, from the restructuring of political and economic power that took place over the course of the previous decade. Having augmented economic inequality and simultaneously increased the bargaining power of a governmental and bureaucratic elite (while severely undermining social organizations) the multilateral institutions are now prepared to ne-

gotiate with a severely weakened state.

INSTITUTIONS FOR MARKETS

Notions of good governance measure effectiveness in terms of market-friendly reforms and private-sector development yet take countries in the opposite direction. Are markets subservient to democratic institutions or, as the 2002 World Bank's World Development Report's title suggests, is it all about Building Institutions for Markets? (3) The 1997 World Development Report, *The State in a Changing World*, acknowledges that the state has a critical role to play in promoting development, in direct contrast to its pro-market policies of the 1980s. The report envisages the state 'not as a direct provider of growth but as a partner, catalyst, and facilitator.' (4) But the good governance recipes handed down by the economic powers and demanded by multinational corporations carefully avoid raising questions about the nature and realm of development, the politics of the dominant economic growth paradigm, and the forces that control such development in their own self-interest.

The same corporate-generated neoliberal development model is responsible for the enormous concentration of wealth and assets. The Human Development Report admitted that over the course of the 1990s, income per head fell in no fewer than 54 developing countries, the very same years of "economic reform". (5) Perhaps one had something to do with another? By no means said the Bretton Woods institutions: the problem was not the reforms but rather "institutional factors". For example, from precarious yet stable balance between markets and states in Northern Europe gave way to the "atomization of the State while elevating the virtues of markets".

For the World Bank 'good governance' takes the form of forging a capital-friendly agenda by way of constructing a supporting positive relationship between the state, the market, and civil society in loan-receiving countries. The 'minimalist state' is to give way to an 'effective state' in order to achieve the unchanging primary goal. An effective state, for the World Bank, is one that manages and regulates the market in a non-confrontational and supportive way with refurbished institutions. As for poverty and other social problems, these will be alleviated as a result of the new relationships, legal reforms and anti-corruption measures attractive to big capital.

More specifically, good governance for the Bank takes the form of securing the establishment of a "well-functioning" market economy with stable

property rights, enforceable contracts, high levels of transparency, and low levels of corruption. The creation of effective institutions is seen as a counterweight to arbitrary or "populist" state action, in which the international financial institutions (IFIs) would feel supported within the country by way of an expanded democratization and participation agenda—principally in addressing the role of corruption. Addressing corruption however does not take place as part of a democratization agenda but rather as a function of insuring the macroeconomic "stability" (financial sector strengthening, privatization, etc). Sooner than others, the World Bank has come to see the relationship between state and the market at the core of a "good governance" agenda, and therefore as a means to advancing toward the materialization of the MDGs. But in any case the governance agenda remains market-centric rather than state-centric. As one study concludes, "the Bank's faith in market mechanisms underestimates the significant challenges posed by institution-building and the need to protect the vulnerable." (6)

How are those institutional factors to be addressed? Here is where the school of market-oriented orthodoxy known as the Washington Consensus introduced the notion of "good governance" as a revised component of the neoliberal paradigm stressing deeper political interventions to accompany the existing economic ones. New recipes called for improved management techniques and securing the collaboration of all the various social actors (civil society and business). In this way, markets could flourish as all "stakeholders" pitched-in to create the "atmosphere" conducive to private foreign and national investment. Notions of good governance measure effectiveness in terms of market-friendly reforms and private-sector development, yet the same thinking can take countries in the opposite direction. Are markets therefore subservient to democratic institutions or, as the 2002 World Bank's World Development Report's title suggests, is it all about Building Institutions for Markets? (7)

While some would have us believe that corruption and sloppy governance are chiefly third world affairs, there are always cases in the news that show the opposite. The most recently publicized cases involve the arrest of Mark Thatcher for involvement in an alleged coup plot in oil-rich Equatorial Guinea, or the scandal plaguing the Riggs Bank in Washington DC which funneled channels not only for ex-dictator Pinochet but also the family of Obiang Nguema, president of Equatorial

torial Guinea. Or the World Bank involvement in the Lesotho Highlands Water project? (8)

Good governance recipes handed down by the economic powers and demanded by multinational corporations carefully avoid raising questions about the nature and realm of development, the politics of the dominant economic growth paradigm, and the forces that control such development in their own self-interest. The same corporate-generated neoliberal development model is responsible for the enormous concentration of wealth and assets in the hands of a few transnational entities while causing massive social and environmental dislocations. While the adoption or impositions of the models are overtly political acts, there is a refusal to recognize their outcomes in political terms. We witness therefore an attempt to depoliticize development and governance, reframing these as largely technical problems with technical solutions, denying the structural and political roots of conflicts. Separating the notion of governance from democracy and sovereignty is not simply inaccurate, it is dangerous. For example in Chad, the international liberal community approves the World Bank's imposing rules on the development of oil fields in that country, including a plan in which revenues are held in escrow abroad and will be directly spent on health, education and road programs. A revenue oversight committee of citizens is monitoring the process.

Whatever the intentions, such a practice smacks of a return to colonial management practices. (9) This is particularly true as "good governance" has spelled more conditions being placed on countries of the South in order to access or restructure loans. As one study admits, "conditionality, or the attaching of conditions to loans, has played a key role in the implementation of the good governance agenda. The objective of governance conditionality is to exert pressure on borrowing countries to improve their policies and thus enhance the effectiveness of aid. During the course of the 1980s the number of good governance conditions attached to World Bank loans rose dramatically, from an average of 21 conditions per loan in 1980, to 55 by 1990, falling gradually to 33 average conditions per loan by 2000. This ineffectiveness derives in part from the vagueness of the concept of good governance itself, and from the fact that there is a real confusion at the heart of the governance agenda about whether governance is a precondition for successful development or development's objective. (10)

REINFORCING THE DEVELOPMENT MODEL

Development theory aside, "good governance", in this context, is reinforcing the hegemonic development paradigm and discourse that precludes challenges to neoliberal orthodoxy as regards the link between economic growth and democracy. Discussions over governance tend to take place within its own framework carefully excluding challenges to the economic model. The World Bank cranks out policy guidelines (and conditionalities) on governance, as it does on environment, conflict, poverty reduction, gender and sustainable development insuring ample research, diffusion and training in support of the policies. These carefully crafted guidelines also serve the purpose of allowing the World Bank to present itself as an entity (and a paradigm) responsive to the pressures of social movements around the world.

The question is whether the type of governance developed by the international financial institutions and the "donors" for their lending and development policies limit themselves to procedural definitions of democracy, with its corresponding emphasis on the importance of political institutions for economic stability and growth, indirectly imposing neoliberal economic policies as part of liberal political values that are, in turn, the norms that should be followed by government. Under such an approach the focus is placed on combating corruption and ensuring accountability—in practice there is a further transfer of power towards the top socially and bureaucratically, as both the public and standing governmental structures become disempowered. Such a notion runs counter to the positive examples being set in cities in the South where progressive powers are building power and achieving municipal successes. It is politics—and not pro-market management as the World Bank would have it—that is at the center of local participatory governance debate and practice, forging innovative styles of democracy and socio-economic advances.

What is missing is a capacity to reflect and respect realities as experienced by people outside of the narrow lens of capitalist development and a hegemonic system based on greed, economic imposition and militarism.

In its version of good governance, the International Monetary Fund employs its power—that is, conditionality—to push "institution-building" and policy "advice" on banking law, contract law, company law, and on the role of the judiciary and arbitration mechanisms modeled on US ju-

risprudence. The reforms get “institutionalized” or locked-in through national laws and the threat of sanctions. Departure from the governance norms can deprive the offending government of the IMF seal of approval, which for “donors” is a precondition to further lending. In similar fashion, according to one study, “the World Bank’s understanding of good governance continues to reflect a concern over the effectiveness of the state rather than the equity of the economic system and the legitimacy of the power structure.” (11) To which another analysis adds, “Much of the content of the good governance agenda...is concerned with a very narrow set of issues and interests: state accountability for business, less so for citizens strengthening of property rights, but not land redistribution or attention to criminal justice. It is not surprising, then, that many critics ask, ‘where are the poor?’ in the Bank’s governance agenda”. (12) Stated differently, the rights of capital are locked in thereby locking out democratic control over key aspects of the political economy. As political scientist Stephen Gill argues, “in the new constitutional frameworks of disciplinary neoliberalism the goal of public policy is increasingly premised on the goal of increasing the security of property (owners) and minimizing the uncertainty of investors partly through placing populations and governments under constant surveillance”. (13)

Of late, the “donors” are insisting that African governments take up their own regional police work. The New Partnership for Africa’s Development (NEPAD) document presented by key African governments to the G8 and embodied in the new African Union platform places great emphasis on the good governance agenda. But some Africans posed the uncomfortable question whether this was really an “African” agenda or simply a sop to the North in return for more assistance, debt relief and reduction in trade barriers. According to one analysis, “despite NEPAD’s emphasis on democracy, the rule of law, peer review and other such political instruments, NEPAD will fail because it is economically and fundamentally flawed. The NEPAD economic prescriptions for Africa’s development are precisely the source of Africa’s problems, in fact it can only worsen the problems of Africa”. (14)

While there is much to be commended in the “Peer Review” mechanism announced by the steering committee of NEPAD some weeks ago, particularly its review of country records on human rights and democratic practice, other elements such as economic transparency and property-protecting mechanisms (economic manage-

ment) responds to the corporate agenda. Will this bring the 34 African countries that are LDCs any closer to the MDGs? Indeed, it just may be that the achieving both the set of economic and social goals proves impossible. Exports are growing, as are net resource flows, but the IFIs seem reluctant to channel new resources into social policies. Small wonder that that NEPAD is heading in both directions at once—UNCTAD cautions that the number of people in the LDCs living on one dollar or less a day may increase from 335 million in 2000 to 471 million by 2015. (15)

DEMOCRACY AND PEOPLE’S GOVERNANCE

Ugandan political economist Yash Tandon suggests there is a “mainstream” theory seeking “to hide the systemic causes of poverty and conflict in Africa.” (16) According to Tandon, the dominant discourse on the causes of conflict in Africa will emphasize the lack of economic growth and poor governance. “Of course,” says Tandon, “these aspects of good governance are important not because the West now includes these as part of the ‘conditionalities’ for aid to Africa but because Africans also value life, liberty and the pursuit of happiness, just like anybody else.”

While the adoption of official good governance models is overtly political acts, there is a refusal to recognize their outcomes in political terms. Stated in other words, we witness an attempt to depoliticize development and governance, reframing these as largely technical problems with technical solutions, denying the structural and political roots of conflicts. Separating the notion of governance from democracy is not simply inaccurate, it is dangerous.

Better public administration and technological know-how are not, in and of themselves, sufficient to impel fundamental changes in governmental policies, let alone its social impact. Empowerment of peoples may be listed as a goal, but in contradictory fashion, so too is the need and demand for external political vigilance, conditionality or “policy leverage” as expressed by the World Bank and the “donor community”. The degrees of external influence and even control will vary from one poor country to another, but this involvement forms part of the dynamics of “local” politics including oppression, and such dynamics many times entailing long term “instability” and new conflict. By the same token, if poverty as defined by Amartya Sen is “capability deprivation” (17), one must seek the deprivers and system of generating deprivation also in global historical terms, including the identification

of international (mal) governance. As with the global political regimes, the global trade and finance regimes are highly unequal and non-transparent, and are disproportionately weighted on the side of rich countries. Yet most approaches to governance and the MDGs conveniently cast aside that central reality. Governments and governance seems closed to the option of exploring other development and political models that structurally prioritize the elimination of poverty and hunger along with redistribution policies to counter deepening inequality and political apathy.

Many components of the official good governance agenda have been long present in past and ongoing struggles for democratization (participation, accountability and transparency). But in the modern world the struggle for democratic governance cannot and does not stop at the local or national level. The search for people's governance entails tackling the unjust distribution of power and insuring basic services to the population. It entails, in most cases, resisting the privatization of water and electricity services, or agricultural liberalization, which are taken by "donors" and governments as fundamentals of "good governance". Unless "good governance" and the MDGs can clearly address the core causes that create and entrench instability, poverty and hunger, they are irrelevant.

One would conclude that the governance promoted by the multilateral agencies is at odds with other policies they also claim to support. Good governance (as interpreted by the IFIs) and the MDGs share the same assumption that rapid economic growth will effectively address their respective aspirations. Diverse studies however have pointed to the limitations of the "growth response" indicating that the emphasis on quick growth has come at the expense of equity and equality, and therefore at the expense of democratic governance. (18) Unless one applies narrow managerial and numerical criteria to determine what is poverty or what is appropriate governance, then the result is not satisfactory from a social standpoint. At the same time, good governance recipes strongly discourage direct intervention by governments to regulate to mitigate and prevent negative social impacts. Thus there is a basic contradiction between poverty eradication on the one hand, and the narrow application of good governance development strategies on the other. Those contradictions must be acknowledged and unpacked in order to arrive at a genuine discussion about possible alternatives.

There is consequently a need to shift or broaden the governance discussion to include the nature and operating condition of multilateral institutions and corporate capital. Few things could be as dangerous as believing that the profit-oriented nature of private capital, and the corporations to which it belongs, can meet the growing demands of the poor for better services at affordable prices. Unfortunately the trend among development "experts" in the North (with their many official followers in the South) is that a profit-driven strategy can indeed "empower" the poor and even lower the higher prices they are forced to pay. (19) How easy to prefer this harmonious interpretation over the sad reality of rebellions and groundless hope that is part of the reality of the oppressed.

POLITICS, NOT GOVERNANCE, IS THE KEY

In a recent study by the Transnational Institute in Amsterdam, there is an examination of Latin America and of the episode that lay basis to the claim that the "left is back" (as though it had absent itself). Diverse studies explore examples of progressive parties in local office from across the continent (Mexico, Uruguay, Brazil, Peru, Ecuador) where successes and failures are being monitored. The study shows that in every experience, politics rather than management (governance) is at the center of the local governance debates. (20)

In the final analysis, the fundamental problem is not governance or the MDGs, but rather our inability to use these two areas to question the justification and dominance of the neoliberal paradigm. Are we talking about ideological instruments intended to shore up neoliberalism's dwindling legitimacy, or are we referring to valid instrumental concepts and goals oriented to improve the efficiency, the planning of governmental institutions and the political system? Whatever the inclination, it is important to scrutinize technical approaches that tend to hide and fragment reality. A holistic interpretation is required in order to arrive at the objective limitations of the MDGs and the notion of good governance: to have the analytical courage and intellectual integrity to ponder what are the political and institutional pre-conditions that limit development. We need to remind ourselves that both the MDGs and governance are born not simply as occurrences of a given moment, but in response to concrete political problems. . Today, the moment is changing and we must be aware that the "war on terror" is taken precedence over the war on poverty and hunger, providing a useful excuse for

governmental failure, North and South, to assign resources for the eradication of poverty and hunger.

Terrorism, poverty, hunger and mal-governance are not “current conditions”. They are all the products of historical processes of marginalization, mal-development, expropriation, exploitation and desperation. Addressing these issues requires addressing the social, cultural, political and economic forces and processes that perpetuate vulnerability, marginalization and corruption

Good governance as with good intentions on the MDGs must confront and not disguise those structures and systems that generate enormous inequalities between in global consumption and are responsible for the state of oppression and misery afflicting the majority of the world’s inhabitants. This system of neoliberal global and national governance designed to enrich a few and make them ever more powerful, allowing them to practice war at will, cannot at the same eradicate poverty, save the environment and prevent new wars.

It is also realistic to recognize that the Millennium Development Goals—like, An Agenda for Peace, An Agenda for Development and perhaps Good Governance itself—, which collectively captured the aspirations of the post-Cold War “international community”, no longer remain at the nucleus of United Nations system or chief concerns of the rich countries. It was hoped that, collectively, these initiatives would lead to a better understanding of the persistent systemic, political, institutional and operational obstacles that confront post-conflict peacebuilding and suggest ways of overcoming them. Attention and policies are increasingly driven, in the United Nations and elsewhere, by the new US dominated militarist landscape of the post 9/11 environment. Under such circumstances, the once positive normative potentials risk becoming nothing or, worse yet, becoming an instrument for waging counterinsurgency.

In short we need a better recognition, understanding and critical appraisal of the nature of the political, institutional and global obstacles that confront the MDGs, avoiding blaming the victims (for example, the now proverbial explanations of bad governance and corruption) and focusing more on the security and global impediments. Only a comprehensive understanding can suggest ways of overcoming them.

* Alejandro Bendana is a member of the International South Group Network and director of the Centro de Estudios Internacionales Managua, Nicaragua. He is also on the board of Focus on the Global South.

1. See M. Mallock Brown’s introduction to the 2002 Human Development Report, Deepening Democracy in a Fragmented World,
2. “Years of Plenty?” The Economist, July 12th, 2003, p. 68.
3. World Development Report 2002, Building Institutions for Markets, (Washington, 2002).
4. World Development Report 1997, The State in a Changing World, p. 1.
5. Neoliberal policies have vastly increased the numbers of the poor and “extremely poor,” and widened the gulf separating rich and poor. According to a recent report from ECLA: Poverty is the greatest challenge for the economies of Latin America and the Caribbean. Between 1980 and 1990 it worsened as a result of the crisis and the adjustment policies, wiping out most of the progress in poverty reduction achieved during the 1960’s and 1970’s. Recent estimates place the number of poor at the beginning of this decade, depending on the definition of poverty, somewhere between 130 and 196 million. Recession and adjustment in the eighties also increased income inequality in most of the region. In the countries with the most highly concentrated income distribution, the richest 10 percent of the households receive 40 percent of the total income. Cited in Atilio Borón, “Democracy or Neoliberalism”, Boston Review.
6. Vivian Collingwood, ed., “Good Governance and the World Bank”, www.brettonwoodsproject.org
7. World Development Report, Building Institutions for Markets, (Washington, 2002).
8. Rod Little, “Help me, Wonga”, The Spectator (UK), September 3, 2004; Mike Muller, Getting Priorities Right, Business Day (South Africa), September 3, 2004. www.odiousdebts.org
9. The New York Times, (Editorial) August 1, 2004.
10. Vivian Collingwood, ed., “Good Governance and the World Bank”, www.brettonwoodsproject.org
11. Santiso, C., ‘Governance Conditionality and the Reform of Multilateral Development Finance’, G8 Governance no.7, at <http://www.g7.utoronto.ca/g7/governance/santiso2002-gov7.pdf>.
12. Bretton Woods Project, Good Governance and the World Bank, www.brettonwoodsproject.org.
13. Stephen Gill, “American Transparency Capitalism and Human Security: A Contradiction in Terms”, Global Change, Peace & Security, Volume 15, No. 1, (February 2003), p.40
14. Until the last diamond—Civil Wars in Africa”, Supplement, Alternatives, Alternative Information & Development Centre, Vol. 2, No. 5, (April, 2003). p. 2
15. “Strong growth amid poverty”, Africa Renewal, UN Department of Public Information, Vol. 18, no. 2, (July 2004), p.24
16. Yash Tandon, “Root Causes of Peacelessness and Approaches to Peace in Africa”, Peace & Change, Volume 25, No. 2, (April, 2000), pp. 166-

187.

17. Amartya Sen, *Development as Freedom*, (Oxford, 1999), p. 13

18. "Contradictions between the stated goals of eradicating extreme poverty and hunger, and the development policies promoted by donors, IFIs and the UN. The policies and economic strategies promoted by the IFIs, regional banks, and bilateral donors/creditors often contradict important UN conventions on development and human rights, and undermine the UN's commitment to the MDGs. Focus on the Global South, "Anti-Poverty or Anti-Poor: The Millennium Development Goals and the eradication of extreme poverty and hunger", (Bangkok, 2003) p.13, <http://focusweb.org/pdf/MDG-2003.pdf>

19. Development students are now told to support profit-driven strategies: "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up", C.H. Prahalad, "Face Value, Profits and Poverty", *The Economist*, August 21st, 2005.

20. "The Left in the City", Transnational Institute Politics, (Amsterdam) www.tni.org