New Approaches to Building Markets in Asia

Working Paper Series

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Doing 'Development' Direct to Sector: The International Finance Corporation and the Financialisation of 'Development' in Asia

WORKING PAPER No. 1

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The International Finance Corporation and the Financialisation of 'Development': cases from the Asia-Pacific[1]

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Keywords: *Doing Business*; financial intermediaries; International Finance Corporation; enabling state; financialisation; risk

ABSTRACT: This paper describes an important new push taking place in development practice, whereby international public organisations are broadening and deepening private sector activity in the underdeveloped world in ways well beyond Washington consensus structural adjustment or even post-Washington consensus (PWC) forms of institutionally-oriented 'participatory neoliberalism'. Described here as the 'financialisation of development' (FoD), this process – which dovetails with the late PWC agenda – is attracting increasing resources that are formally allocated directly to private actors *around* states, yet which also demand and promote shifts in state form and function that relate to cultivating an 'enabling environment' for capital. The International Finance Corporation (IFC) – the World Bank's private sector arm – is at the vanguard of this process, bridging the 'public-private divide' in myriad ways. This paper first conceptualises the project that the likes of the IFC are involved in, drawing upon a framework based upon various lineages of critical political economy. From this perspective, FoD is seen as a rapidly expanding new push within neoliberalism, emerging out of the frustrations of earlier phases of orthodox 'development' practice. This approach entails rolling out the *market state* and establishing *market society,* two tasks that FoD's instruments are highly tuned towards achieving. Focusing on the work of the IFC in the Asia-Pacific, the second section of the paper then presents three snapshots of FoD in action. These serve to illustrate the strategies and 'logic' underpinning the push, while also pointing to the risks accompanying it.

Ten years ago, the World Bank was firmly in the middle of its post-Washington consensus (PWC) moment. James Wolfensohn was mid-way through his ten year presidential incumbency at the world's leading Development[2] organisation and had signalled to all and sundry that he was intent on pursuing a liberal and 'progressive project' that would make the world a better place. Wolfensohn demanded, often with considerable force, that the Bank get 'closer to the people' – promoting a bigger role and more autonomy for country offices and even instructing staffers to spend time in the field with the very communities that Bank projects affected. He also oversaw and encouraged the promotion and expansion of a group of people within the Bank that were engaged in 'safeguards' and 'social development' – people who would give flesh to the new buzzwords such as 'participation', 'consultation' and 'empowerment'. All of this was part of a large shift within orthodox development that consolidated in the mid-to-late 90s that emphasised the importance of institutions for markets and a greater consideration of development policy implementation.

Crucially, the PWC was neither a passive project emanating from presidential benevolence nor a simple switching-on of the metaphorical 'institutional lights'. Indeed, the travails of the 1980s and 1990s had taken a toll on the Bank and the market-oriented approaches for which it was now famous, with the often brutal results of 'structural adjustment' and large scale infrastructure projects – not to mention a lack of unambiguous and attributable success stories – figuring prominently in the minds of those increasingly aware of the organisation's work. The struggle against neoliberalism (evident in the Fifty

[1] Paper presented at the first workshop of the New Approaches to Building Markets in Asia research workshop, Lee Kuan Yew School of Public Policy, National University of Singapore, April 17-19, 2011. This very 'drafty' paper should be considered '**not for citation without permission**'.

[2] Drawing upon Doug Porter and David Craig's use of the word, I use 'Development' with a capital 'D' to distinguish between the work of organisations such as the World Bank – institutionalised, orthodox development practice – and what is popularly understood by the word 'development' – something approximating the improvement of material conditions. See Porter and Craig 2006.

Years is Enough campaign, the World Social Forum, and myriad other resistance efforts), had gained considerable traction over time, highlighting the social and environmental cost of neoliberal policies deployed by the Bank, the International Monetary Fund (IMF) and others ostensibly in the name of development. Importantly, this attention from activists of various shades (left, green and anarchist) was coupled with increasing scrutiny from conservatives in the US (members of Congress and the *Wall Street Journal* were regular protagonists) perennially sceptical of multilateralism and indeed public support for 'liberal' development efforts generally (Pincus and Winters: 2002: 2, 4; Carroll 2010: 175-6). For the Bank to remain credible and ensure the regular injections of public money from big member states for its 'soft-lending' operations, at a minimum it had to exhibit a shift in the way it worked – a defensive reply in the face of a crisis of legitimacy.

Subsequently, still constrained by the pro-market/conservative politics that had generated the first phases of neoliberal development policy, the Bank placed considerable efforts not on shedding its neoliberal ideology but rather upon tackling the persistent problem of *how* to institutionalise competitive social relations and conquer issues of formal reform implementation (Cammack: 2009: 2-3; Carroll 2010). For people engaged in developing these efforts, it was not a case of neoliberalism being contradictory that explained Development's problems. Rather, the core issue, which would legitimise a whole raft of new interventions and employment opportunities for a globally mobile cadre of well-paid 'experts', was the manner in which the market was delivered and maintained in an institutional sense. From this perspective, to paraphrase Baroness Thatcher, there still was no alternative to marketising society. However, for these new neoliberal technocrats, structural adjustment had not only crassly proceeded without concern for building constituencies of support, it was also bereft of the critical regulatory and other structures (which often inhered to the much-maligned state) that markets were now seen as requiring (World Bank 1993; 1997; 2002; Stiglitz 2001a; 2001b).

While well-known to be generously staffed by orthodox economists with degrees from North American universities, non-economist social scientists (along with key figures from liberal/social democratic NGOs such as Oxfam) had increasingly found their way into the Bank during the 1980s and 1990s, assisting with organising how the Bank's response to the problems in practice and crises of legitimacy that it faced would materialise (Davis 2004: 4; Wade 2001: 127). These people busied themselves with reaching out to 'civil society', developing benchmarks for evaluating and mitigating social and environmental issues relating to Bank projects, defining new parameters of partnership with the organisation and new modes of participation in its agenda.[3] All of this was to concretise in a much bigger trend that drew amenable NGOs into a symbiotic relationship with multilaterals – a relationship heavily centred upon project implementation, monitoring and building constituencies for neoliberal reform. This, in turn, was coupled up with the new emphasis upon building idealised institutional structures for market society – a push which, in a theoretical sense, drew upon new institutional economics (NIE) and which, in a political sense, served neoliberal relegitimisation efforts in the wake of the Russian transformation and the Asian crisis well (Harriss et al. 1995; Carroll 2010: 58-60). In significant departure from the earlier hostility by neoliberals towards the state, subsequent *World Development Reports* proclaimed the central importance of a *particular state* (depoliticised and politically insulated in its conception) as crucial to the functioning of markets, reducing 'transaction costs' and 'information asymmetries'.[4] Even social institutions – seemingly so marginal to

[3] Porter and Craig (2006: 24) call this 'inclusive neoliberalism', Hatcher (2007: 189) calls this the 'integrated development model', and I have referred to it elsewhere as 'socio-institutional neoliberalism' (2009; 2010).
[4] This conceptualisation of the state accords closely with what Jayasuriya and others have dubbed the 'regulatory state' (Jayasuriya 2000; 2005).

much of orthodox development (and certainly orthodox economics!) for so long – attracted attention for their contribution to making the most out of markets (Harriss 2002: 76-96). Community driven development programmes, such as the Bank's massive Kecamatan Development Program (KDP) in Indonesia, now the basis for poverty reduction in that country, sprang into life, receiving substantial financial support and combining both the infrastructure and institutional reform orientations of the Bank (Guggenheim 2004; Li 2006). While some in the Bank had big plans for changing Development from the inside, subject to politics, such efforts rapidly became incorporated into a rather instrumental effort that was first and foremost about circumventing problems with implementing the market state, and, in particular, tackling issues of 'regulatory capture' and – less euphemistically – corruption. All of these foci of the PWC zoned in, in way or another, on the state as a target reform. Neoliberalism, for all its emphasis on the market now demanded the state in a particular image. Subsequently, its reform agenda was largely state-oriented.

Crucially though, while the PWC has indelibly changed Development in response to its crisis of legitimacy, many of the very problems that plagued earlier phases of neoliberalism (which were central in undermining the legitimacy of neoliberal Development) have persisted. Indeed, the Bank and others engaged in rolling out state-oriented neoliberal reforms have continued to face questions over impact and relevance – questions that point to the many limitations and contradictions of state-oriented neoliberal development policy. For one, despite increases in the Bank's portfolio – particularly prominent around the global financial/economic crisis – the amounts emanating from the main 'windows' of the Bank and other Development organisations, such as the regional Development banks, remain comparatively miserable when set against foreign direct investment flows (narrow as the target destinations for these are) and the combined contributions of 'new development actors' ranging from private foundations to countries of the 'Middle' and 'Far' East (and regularly, their sovereign wealth funds).[5] Second, there remains the rather significant issue of causality between what it is that Development organisations do and development as it is popularly understood (with critics from across the spectrum regularly documenting this). Making matters worse, recognised development success stories from graduates such as Korea right through to more recently celebrated Vietnam, have exhibited highly heterodox development programmes, which have often borrowed little from *World Development Reports*. Further to this, and related, the Bank has found itself particularly constrained in some of the poorest countries on earth because of corruption and the threat that corruption presents to the organisation's legitimacy and policies, despite this often not being a hindrance to many the new development actors noted above (Carroll 2010: 155-79).

However, while the traditional core of the World Bank is seemingly stalled on the state-oriented neoliberal institutionalism of 'good governance'[6] and the PWC, in this paper I suggest that 'innovation' is evident elsewhere within Development, in particular in the Bank's private sector arm – the International Finance Corporation (IFC). Indeed, somewhat in response to the challenges arising from the emergence of 'new development actors' and the contradictions attending neoliberal development practice and late-capitalism over the last decade, the IFC has established itself as a crucial piece not only of the World Bank Group

[5] Of course, the Bank is about much more than its portfolio size. Indeed, its ideological impact – which is embedded in the 'technical assistance' that it doles out and the conditionalities and designs of its projects and programmes – is a crucial consideration in assessing the Bank's impact.

[6] This core comprises of the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD) – respectively, the 'soft' and 'hard' lending windows of the organisation. In addition to IDA and IBRD, the World Bank Group includes the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

but of the broader neoliberal project of deepening market relations across society and establishing a 'world market' centred upon competitive social relations (Cammack 2009; 2011; Gill 2000; Marx and Engels 1888: 475). The IFC – along with the likes of the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) – is doing this by deepening market activity *around the state*, while simultaneously calling for shifts in the state that are seen as conducive to 'ideally-conceived' patterns of capital accumulation, or to use the lingo: establishing an 'enabling environment' for capital. In this respect, the first half of the project that the IFC and others are engaged in is much less technocratic than earlier forms of neoliberal development and regularly manifests through very instrumentalist and direct means ('direct to sector', as it were). To be sure, the second half of the project – *working on and through the state* – continues to exhibit the classic technocratic tendencies of state-oriented neoliberalism, taking much of its base reform content from the PWC and variously adding to and subtracting from it. However, unlike traditional modes of neoliberal Development policy – which are tied, however imperfectly, via conditionality to money allocation – the overall efforts of the likes of the IFC can be expected to proceed with or without too much concern for real gains in PWC institution building, with accountability of individuals and organisations manifesting through the direct disciplining mechanism of the market and the profitability (subject to safeguards) of a given investment.

Drawing upon a framework that owes much to Cammack's 'new materialism', various critical approaches from political geography and social conflict theory (cf. Cammack 2003; Harvey 2006; Peck and Tickell 2002: 33-57; Jayasuriya and Hewison 2004), the paper begins by outlining the core facets of the project that the IFC and its brethren are embarked upon – a project that I call 'the financialisation of development' (FoD). I argue that this is the latest response within orthodoxy to tired, contradictory 'state-oriented' (in terms of reform) neoliberal institutionalism. In the face of few PWC success stories, stagnant (or worse) development outcomes, and an era of 'permanent emergency' or crisis (Žižek 2010: 86-87), the financialisation of development is a 'logical' extension for Development precisely because it avoids many of the immediate difficulties associated with politics and legitimacy that development organisations experienced with working *on and through the state.* Constituting an ostensible win-win for both the state (it is sold as a cost effective solution both to issues of service delivery in poor countries *and to poverty*) and to capital (new opportunities for accumulation)[7], this late-neoliberal approach simultaneously seeks to establish private sector activity *around the state, while also attempting new approaches towards state transformation and establishing market society*.

In the second section of the paper I present three 'snap shots' of the project in action to further demonstrate FoD's 'logic'. The first of the three 'snap shots' focuses on the benchmarking/signal setting/disciplinary qualities of the project via an analysis of the IFC's *Doing Business* report series, which sees the IFC becoming a quasi ratings agency of governments, providing competitively ranked assessments of a particular country's adherence or lack thereof to establishing an 'enabling environment' for capital. Here, we see how the reports are designed to enmesh countries into a competitive dynamic that relates to their adoption of a particular state form, in the interests, first and foremost, of private enterprise. This is a logical extension of the promotion of the regulatory state that was such a prominent feature of the post-Washington consensus. However, now the actual benchmarks and institutional demands are vastly more narrow and tailored directly to the interests of capital, making, for example, few concessions to labour in the area of labour standards. This

[7] As per the PWC, the financialisation of development will also appeal to those sections of 'civil society' (non-governmental organisations (NGOs)) that can be implementers, monitors and/or be transformed into profit making entities (see the final section of the paper on financial intermediaries).

first snapshot is very much a case of FoD's work *on the state*. The 'second snapshot' looks at how FoD brings to bear particular advisory services in relation to service and utility provision while simultaneously using loans and equity to advance marketisation. Focusing on the investments in Manila's water services, what is particularly evident is how the IFC's advisory work promotes a politically-attuned approach to rolling out marketisation over time. This approach, which is now being promoted to some of the poorest countries on earth, sees public-private partnerships (PPPs) becoming a default policy prescription for infrastructure planning and service delivery. Yet, more than just promoting the melding of the public and private spheres (with an emphasis on the prerogatives of 'the private') via policy set promotion and attendant financing, the IFC now regularly plays a stabilising/embedding marketisation role in PPPs – taking equity stakes in the very projects it recommends and even making its investments conditional upon further marketisation. This second snapshot demonstrates how FoD works both *on the state and with capital to transform the relationship between state and citizen over time*. The final piece of the FoD puzzle looked at here is the new role that the IFC is playing in opening up new spheres of production. Here two examples are presented that illustrate this support to different factions of capital (international and domestic). In the first instance we see the critical risk mitigating roles that IFC plays with relation to some of the world's mega-projects (the BTC pipeline is the case) in 'frontier' and 'emerging markets'. In the second instance, the section demonstrates how the IFC works through microfinance organisations and other financial intermediaries (often attempting to transform NGOs into banks and instil market discipline) to establish and deepen SME sectors in Asia and expand private sector activity. This third snapshot looks at an example of how FoD works *around the state*. The paper concludes by suggesting that because FoD hinges upon a deeply flawed understanding of the relationship between state and capital – a flaw which has attended all phases of neoliberal development and one which is acutely critical for the highly vulnerable and marginalised populations of countries where FoD is deployed.

Working on, through and around the state: the financialisation of development, IFC-style

While academics (this author included) and policy makers focused upon the inadequacy and contradictory nature of state-oriented neoliberalism (such debates were prominent again during the financial crisis (see for example Hameiri and Carroll: 10), a whole other branch of Development has largely been left under-considered and under-conceived by the academe. In this paper I describe this mode of development as the 'financialisation of development' (FoD). Though related to broader processes of 'financialisation' – a term that *has* received significant attention and which describes the current ascendancy of finance capital to all new heights and the concomitant enmeshment of populations through stock markets, pension funds etc. into new patterns of accumulation based around the prerogatives of finance (Martin et al. 2008) – the processes described in this paper deserve their own attention. In many ways, FoD *is* about instilling the norms and imperatives associated with financialisation down to new territories of accumulation, territories crucial as spatial fixes for capital (Arrighi 2003; Harvey 2006: 415). However, the precise form, methods, actors and outcomes of the financialisation of development (FoD) deserve their own scrutiny for several reasons. For a start, the financialisation of development is ostensibly done in the name of *development*, rather than just relating to the political and regulatory processes associated with the elevation of finance capital generally. Further, FoD is driven by *public* Development organisations – rather than the profit motives and actions of investment banks, pension funds and amenable bureaucrats (who in the broader financialisation story, were not always in the vanguard).

The fact that FoD has slipped somewhat underneath the radar is somewhat odd given the money involved – both that allocated by the organisations and that which they mobilise. Consider the IFC, which in the last ten years has seen its annual project approvals more than double, investment commitments quintuple (from US$3.9 billion to US$18 billion), and investment disbursements triple (IFC 2001; 2005; 2009). Indeed, since 1990, public support via FoD organisations for the private sector – not including the vastly larger sums *mobilised* by FoD efforts – has soared ten times, from less than US$4 billion to over US$40 billion (Bretton Woods Project 2010b; IFC 2009). The opacity surrounding the FoD push is also odd given that it has been associated with some of the underdeveloped world's biggest mega-projects, projects that have often had not only national and regional repercussions but indeed truly international ones also.[8] The lack of attention is also curious given the key role that this new mode of Development practice has played during the financial crisis – with the IFC now custodian for many of the initiatives deemed critical in sustaining economic activity in the underdeveloped world and 'transition' economies.[9]

To be sure, FoD draws upon many of the themes of the PWC, for example incorporating its social and environmental impact assessments, processes of consultation and participation, and emphasis upon institutions and a 'market enabling state'. However, more than just being an extension of the PWC, FoD exudes the language and much of the concerns of finance (and the private sector more generally) – emphasising 'risk mitigation' and its importance with respect to mobilising capital or 'access to finance'. Directly related, FoD concentrates on creating 'enabling environments' for capital – ostensibly 'ideal' institutional bundles (state forms) which are sold as being conducive to attracting capital (by reducing its risk and other costs) and realising the benefits of markets. Crucially, rather than simply being about the central relationship between multilateral public lender and sovereign borrower (member state) that builds in programmatic conditions to promote the market, FoD attempts to deeply fuse the public and the private into a liberal market reality like never before, *variously working on and through the state, and around it.* In this endeavour, FoD deploys a variety of instruments (such as conditional lending *and* equity investments) to not only achieve this but to lock it in and even extend earlier privatised arrangements.[10] Further, in many scenarios FoD efforts can proceed with or without evidence of an 'enabling state' – that is to say institutional reform (as with state-oriented neoliberal reform) does not need to be the crucial prerequisite for investments. What often matters more under FoD than traditional PWC reforms is not that key benchmarks are met on institutional reform but rather that the projects make *immediate commercial sense* and that certain central relationships between lender and borrower (regularly beyond those 'cemented' in contracts and legislation) are in place. The trajectory of such efforts can be used *later* for other attempts at realising state transformation.

[8] This said, FoD has received attention in NGO circles – (e.g. Bretton Woods Project 2009; 2010; Counter Balance and Bretton Woods Project 2010; CEE Bankwatch Network 2010). Indeed, some very good early work looked in detail at the activities of the IFC in projects such as Baku-Ceyhan pipeline covered in the 'third snapshot' of this paper (see for example PLATFORM et al. 2002). There has also been some excellent work done by academics on understanding some of the norms that have been adopted by FoD protagonists such as the IFC (see for example Park 2007). However, I think it remains fair to say that the overall project that the IFC and the likes of the EBRD are embarked upon – not to mention its precise methods – has been largely under-analysed and inadequately conceptualised.

[9] These include the Infrastructure Crisis Facility, the Microfinance Enhancement Facility and the Capitalization Fund.

[10] As is made clear below in the various 'snapshots', the locking-in occurs through various means.

Finally, while organisational legitimacy under FoD continues to matter, it is fair to say that the disposition of an organisation such as the IFC, in line with its finance-oriented genealogy, is more gung-ho than the World Bank's more famous 'core' entities – the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). This is no doubt due to a combination of both the physical and institutional autonomy which IFC has as a member of the Bank and its position as a profit-oriented organisation that works with other profit-oriented entities rather than member states exclusively. Such a position makes the IFC often immediately more palatable to commercial enterprise in domestic settings, not to mention the ideological and material interests that represent the private sector within powerful states (interests not always supportive of multilateral development efforts). Countenancing this more immediately profit-interested orientation, key operations staffers FoD organisations are regularly former employees of the banking industry, and notably investment banks such as Goldman Sachs and Macquarie. This distinguishes the likes of the IFC from state-oriented multilateral organisations and their typical array of economists, other social scientists and engineers and, while worthy of sociological analysis, no-doubt goes some way to explaining the brasher 'personality' of the Corporation.

FoD still deploys many of the instruments of state-oriented neoliberal Development, such loans, technical assistance (TA), and monitoring, evaluation and benchmarking efforts. However, with FoD, loans go to the private sector, with technical advice going to both the public and private sectors simultaneously. Moreover, much of the benchmarking efforts (such as those in *Doing Business* report covered in the next section) are oriented towards the state and its progress towards establishing conditions thought to be most conducive to the private sector – a narrower focus than the PWC. Further distinguishing FoD from established Development practice is that it incorporates into its arsenal guarantees (informal and formal) and equity investments, both of which are instruments that are crucial to understanding the role that FoD is playing in transforming the state and Development. Guarantees can be formal in so far as an FoD organisation insures some risk (often political) attending a given project. Guarantees can also be informal, with the very presence of an FoD organisation reducing certain risks to the private sector. The instrument of equity, allows an FoD organisation to take stakes in companies, both to provide liquidity but also as part of assisting in transitioning companies further along the marketisation path.

Effusing much less timidity in the face of 'governance issues' than state-oriented neoliberal institutions the project that the IFC and others are involved in is in many ways – though not exclusively – a 'frontier project' (IFC 2009: 24), boldly deployed in environments famous for their 'institutional failures' or 'capacity deficits', be they associated with rampant corruption, central planning or post-colonial institutional vacuums. Indeed, FoD organisations are increasingly central players *in forging new opportunities of accumulation in high-risk/high-return areas* in extractive industries, financial services, water and energy – where political, social, economic and environmental factors present cause for concern but where significant opportunities for profit exist and where the profit motive can be pitched as an opportunity for improving social conditions. In 'frontier' and other risky settings for international capital, the involvement of international organisations with sovereign relationships and financial backing provides the private sector (especially private sector finance) with confidence that a particular project will encounter fewer problems (re-nationalisation, expropriation/appropriation of profit etc.) than would otherwise be the case. Lowering such risks means that borrowing costs are reduced for private enterprise requiring finance and margins are (potentially) increased. But more than this, FoD entails that certain regulatory structures are established and safeguards applied by private sector actors, ostensibly to reduce risk to both FoD organisations and to capital, while entailing significant (and contested) implications for both state and society.

Partly, FoD can be understood as publicly-supported 'frontier opening', opening up new spaces for accumulation and wresting territories to the project of completing a world market (Cammack 2010). Importantly, this is a process which entwines the imperatives and interests of capital and often finance capital from the developed world with the underdeveloped world. On the one hand, IFC regularly issues both dollar and emerging market denominated bonds which are bought by institutional and other investors (such as northern pension funds) to raise cash to be deployed in the south on profit-yielding IFC projects, such as those in microfinance.[11] Yet, more than this, the IFC's very involvement in a project means not only that certain projects (including mega projects) go ahead that otherwise might not; they can attract more favourable financing from the doyens of international finance, who can rest assured that certain safeguards are applied and that their financial risks are somewhat mitigated. When a foreign telecommunications corporation or multinational water company intent upon investing in a PPP in a 'frontier/emerging market' is anxious about expropriation of profit or has doubts about how a particular regime in a host country might impact a given commercial undertaking, FoD organisations stand ready to place real money (made cheaper by their triple A ratings), risk assessment and mitigation tools, plus sovereign relationships and global signal-setting capacities ('this country is/is not an investment risk') in the service of reducing the anxiety of capital.[12] The role of this service should not be underestimated – indeed it translates into sometimes very large projects going forward in high risk environments that might not otherwise proceed. And even when a project might still have happened without FoD, the increased risk that would attend such an arrangement would often negatively impact access to capital and margins (higher cost of borrowing). Crucially, large swathes of territory, often which were previously peripheral to capital accumulation, are now being reined in to new patterns of accumulation – all in the name of development – via the methods of FoD.

In the underdeveloped world, mobilising large amounts of capital often becomes much easier if an FoD organisation is onboard, either as an investor, advisor or both. This reality occurs for a variety of reasons. The IFC – like other FoD organisations – often not only lends for a given project, but also regularly takes equity (shareholder stake) in it. This places the organisation in the rather unique position of being a public institution that promotes and invests in private enterprise. It is a private-sector oriented organisation which relates to member states in the same way that other sections of the Bank and other multilateral organisations do. In this last respect, the IFC is made up of member states and it regularly has strong connections with both 'host states' and the big states from the countries where international capital harks. It also enjoys significant leverage by virtue of its position as an 'expert' organisation 'knowledgeable' on sectoral and financing matters, and an edifying organisation for capital and in particular foreign/international/multinational capital. Few international organisations can give investors the confidence that a government or powerful domestic interest will not 'rent seek' or upset a particular commercial project in a dramatic way in the way that the IFC can. In short, if a given government or company is seen to be listening to the IFC and/or the IFC is involved in a given project, the risks to capital are less – making projects possible and impacting profitability.

That the IFC brings with it a host of safeguards to be fulfilled also means that investors can rest a little more at ease – the due diligence being done, their investments, branding and legitimacy being less susceptible to accusations of environmental and social abuse. The high-profile campaigns against the World Bank and multinational corporations

[11] The profits from some of these projects are actually handed over to the IDA for soft-lending operations.
[12] As we will see below, this use of equity can be used as a tool to encourage further marketisation over time.

from the 1980s on, demonstrated that such issues had to be taken seriously or companies could expect to attract the wrath of hostile activists, organised social movements and diminishing customers (companies such as Nike, Gap, Nestlé and BP were well known recipients of such attention) (Florini 2005: 104; Carroll 2011). In 'transition' and underdeveloped countries, where – in some cases at least – massive new opportunities for profit exist alongside regimes with less than rosy records on human rights and the environment, this is a high value service for international capital.

Finally, FoD is now working to a significant extent through financial intermediaries. These can be micro-finance organisations, private equity funds, commercial banks and other financial entities. In this respect FoD organisations are now playing increasing roles in shoring up a particular entity's capitalisation to on-lend to other operations, ostensibly in the name of development and the cultivation of the micro, small and medium enterprise sector (MSMEs). While doubts remain about the sorts of enterprises that are actually being supported by such initiatives and many of concerns about accountability in this area, working through financial intermediaries now accounts for a significant portion of FoD organisation work and is becoming a central pillar of FoD overall (Bretton Woods Project 2010).

In sum, an FoD organisation like the IFC can be thought of as a multilateral lender and insurance provider to the private sector, multilateral investor, ratings agency, sector builder and enforcer all rolled into one! Organisations such as the IFC, bridging the public/private 'divide', are playing central roles in expanding new sites of production and consumption – through new regulatory/risk-mitigating arrangements – while concomitantly establishing private-privileging institutional regimes now seen by many orthodox Development practitioners as crucial in facilitating ideal-as-possible market activity. The following sections present examples of FoD in practice.

Three 'snapshots' of the IFC and FoD in the Asia-Pacific

Snapshot 1: Doing Business and working on the state

This section introduces a crucial pillar of the current IFC agenda and, subsequently, the FoD. This pillar relates to the benchmarking and ranking of countries in their pursuit (or lack thereof) of what is described as an 'enabling environment' – conditions seen as critical to attracting capital and ensuring expanding private sector activity. The *Doing Business* report series (a joint initiative between the World Bank and the IFC) is exemplary for its role in both advocating particular normative standards and assessing country adherence or otherwise to these. On the former issue of normative standards, it serves a similar role to that of the World Bank's flagship annual publication, the thematically-oriented *World Development Report*, instalments of which have been critical in establishing the norms of orthodox development practice, including demarcating the critical elements of the regulatory state and further perpetuating the *lingua franca* of development practice.[13] However, in some contrast, the *Doing Business* series contains both an annual report complete with country ranking *and* a separate range of individual country reports (the latter being contributions that drill down on the specifics of a country's work towards establishing an enabling environment (the 2011 Indonesian *Doing Business* report is covered below)).

In this way, *Doing Business* can be thought of as a continuation of the sorts of disciplinary work found in the Bank's Country Policy and Institutional Assessment (CPIA),

[13] The 1997, 2000/01 and 2002 WDR reports are particularly relevant in this regard.

which challenges countries to gravitate to a particular normative institutional set by grading their adoption or otherwise of the regulatory state and tying this to the Bank's Country Assistance Strategies (CASs) and the allocation of resources associated with them (van Waeyenberge 2006: 20; World Bank 2003: 1). *Doing Business* also exhibits much of the fetish for development results and monitoring that became a key part not just of the PWC and Wolfensohn's Comprehensive Development Framework (CDF) but which was also evident in the aid effectiveness agendas of the OECD, (manifesting in the Paris and Rome Declarations) (Carroll 2010: 99-103). Like its benchmarking/monitoring siblings, such as the CPIA and the PWC more generally, *Doing Business* should be thought of as paradigmatically constrained and interest-driven response to the contradictions of neoliberal Development, with its nation state-centricity, its fixation on the private over the public, its fetishising of a particular set of institutions as 'deliverers' of development, its brash aggregations to justify particular interventions, and its virtual erasing of divergent social relations and in particular *class* as crucial in understanding patterns of development. In many ways, the benchmarking/monitoring interventions of the PWC/FoD stem substantively from political elites in countries of the global North demanding accountability and results for money put down. Crucially however, rather than questioning the prudence of neoliberal development efforts, benchmarking exercises like *Doing Business* see accountability and discipline running one way – towards that 'ill'[14] and recalcitrant entity: the poor country.

The *Doing Business* series is organised out of Washington and operationalised by a significant staff of around fifty people. As of 2010, seven annual reports have been published, the latest of which now comparatively assesses business-oriented regulation across 183 economies. The annual reports benchmark countries against each other in their 'regulatory friendliness' for business in ten key areas across the business 'cycle': starting a business; dealing with construction permits; employing workers; registering property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing a business (World Bank, IFC 2009: iii, v).[15] A quantitative assessment of a country's standing in these areas (as they apply to domestic small and medium enterprise) is made in the interests of not only benchmarking countries across these areas *but to incentivise them to reform*.[16] In this respect the report is wholeheartedly designed 'to provide an objective basis for understanding and improving the regulatory environment for business (ibid.: v).' As *Doing Business 2010* makes clear:

> A fundamental premise of *Doing Business* is that economic activity requires good rules. These include rules that establish and clarify property rights and reduce the costs of resolving disputes, rules that increase the predictability of economic interactions and rules that provide contractual partners with core protections against abuse. The objective: regulations designed to be efficient, to be accessible to all who need to use them and to be simple in their implementation (ibid.: v).

The annual reports each get a thematic title – the 2010 report is entitled 'Reforming through Difficult Times' – and use two core types of data: that drawn from an analysis of laws and regulations and, drawing upon the work of de Soto and Frederick Taylor, 'time and motion indicators' that assess progress towards particular regulatory achievements (ibid.).

Important for our purposes here, *Doing Business* is also very clear about what it does not cover. For example not only does it only focus on the 'formal sector' (poor countries

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[14] As we will see below, the analogy of 'health' is not mine but indeed one that *Doing Business* propagates.
[15] In the 2010 report, research in two new areas – 'getting electricity' and 'worker protection' – has been added to the methodology.
[16] The methodology of doing business also includes drawing heavily upon responses from legal practitioners and professionals apparently at the coalface of relevant transactions.

often have every large ‘informal sectors’ replete with all manner of issues), *Doing Business* does not assess a country’s financial system or financial regulation. Importantly, even in the areas it does assess, there are some rather crucial omissions that reveal the report’s colours markedly (and which point to its dangerous deficiencies). Indicative of this, are the report’s indicators for ‘employing workers’, which set aside the rather important task of benchmarking ‘regulations addressing safety at work or right of collective bargaining’ (more below) (ibid.: 6).[17]

However, if *Doing Business* appears somewhat modest by stating what it is not, this somewhat masks a rather ambitious agenda. Indeed, *Doing Business 2010* sells itself as being akin to a ‘cholesterol test’ – not revealing of everything about our health but still focusing in on some crucial indicators that ‘put us on watch to change behaviors in ways that will improve not only our cholesterol rating but our overall health (ibid.).’ Further, the report proudly states that it is on solid methodological ground given its robust correlations with other ‘major economic benchmarks’ such as the Organisation for Economic Co-operation and Development’s on product market regulation and The World Economic Forum’s Global Competitiveness Index. Crucially, addressing the link between *Doing Business* and its relevance to poverty and development, the report points to the World Bank’s *Voices of the Poor* study and its identification of how the hopes of men and women rest ‘above all on income from their own business or wages earned in employment (ibid.: vi-vii).’ In this respect, the report states that realising this requires both ‘enabling growth’ and the participation of the poor in growth’s benefits.

In FoD speak, ‘enabling growth’ is seen as requiring the ‘right’ regulatory environment – what is increasingly described in FoD circles as an ‘enabling environment’.[18] *Doing Business* outlines, measures and incentivises countries to adopt this enabling environment. While there are concessions within *Doing Business* that reforming business regulation is not the be all and end all of development, *Doing Business* now constitutes a flagship effort encouraging business-oriented reform. In the annual report, tables of top performing reforming countries are presented – with ‘winners’ highlighted for ‘victories’ in categories such as the number and impact of business reforms implemented (Rwanda was the 2010 winner). Timor Lesté is held up as a top reformer in the area of ‘paying taxes’, Azerbaijan is highlighted for establishing a ‘one stop shop’ for starting a business, with pole position for ‘ease of doing business’ going to Singapore. *Doing* Business also provides global snapshots of pro-business progress; pointing out that in 2008/09 287 reforms made it easier to do business and 27 did the reverse (the top and bottom performers in each area of reform are named). Information about which country did which reform (and in which direction) is also presented, allowing cross-comparisons of progress toward establishing the-now central Development requirement: the enabling environment (ibid.: 2-7).

The reform processes preferred by *Doing Business* (around the ten key areas noted above) are mostly about ‘cutting red tape’ and privileging the interests of the employers and investors, with instructive examples of ‘smart regulation’ presented. That this is the case for a report entitled *Doing Business* should of course be unsurprising. However, the more important point is to consider that *Doing Business* is both a justificatory and intervening tool that attempts to instil a and render as ‘common sense’ a particular array of reforms to country regulations that privilege the interests of business as aligning with broader social

[17] Interestingly, the inclusion in the 2010 report of ‘initial findings … [on] the level of adoption in national legislation of aspects of the International Labour Organization’s (ILO) core labor standards on child labor’ has come on the back of sustained criticism by civil society and union groups of the report series (ibid.: ix).

[18] The term ‘enabling environment’ is often used in relation to those regulatory structures first and foremost associated with domestic enterprise. The term ‘investment climate’ is also often used by FoD organisations – most often in relation to structures pertaining to both domestic and foreign capital.

interests, all in the name of *development* and *poverty reduction*. For example, in the area of 'Starting a Business', a country's ranking is established from a composite of four sub-indicators ('time', 'cost', 'procedures' and 'paid in minimum capital'). Subsequently, 'smart regulation' for *Doing Business* includes cutting minimum capital requirements for starting a business, making business registration administrative (as opposed to involving entities such as the courts), centralising business registration and putting business registering services online (ibid.: 10-16). In terms of 'Employing Workers', an area that *Doing Business* has received consistent criticism for, *Doing Business* notes the tensions for governments in finding the 'right balance' between labour market flexibility and worker protection. However, the sub-indicators used to rank a country's position (seemingly based upon an understanding of the comparative advantage of most poor countries being their abundance of cheap labour (Cammack 2004: 191; World Bank 1990: 3) clearly have no such difficulty in setting a framework that incentivises countries to adopt labour regimes that preference 'labour market flexibility'. Here, a country's ranking is determined by another set of sub-indicators – 'rigidity of hours', 'difficulty of hiring', 'difficulty of redundancy', 'rigidity of employment', 'redundancy cost'. 'Smart regulation' in this domain entails permitting flexibility in working hours, labour market flexibility more broadly and moving, for example, from severance pay (paid for by employers) to unemployment insurance (ibid.: 23-26, 83).[19]

Following on from this privileging-the-private ostensibly in the interests of the broader public theme, *Doing Business's* country ranking for 'Protecting Investors' (another reform area), is assembled from an 'extent of disclosure index', an 'extent of director liability index' and an 'ease of shareholder suits index'. And in the area of 'Paying Taxes', *Doing Business* focuses in on the number and size of taxes levied against SMEs in addition to compliance costs. 'Smart regulation' in this last area thus involves broad-based taxation regimes (with flat rates) and encouraging electronic filing and payment (ibid.: 38-43). In all these areas and more *Doing Business* is extremely clear about what constitutes 'sensible policy' and puts a number on its adoption or otherwise.

In addition to the annual *Doing Business* report, the individual *Doing Business* country reports are another element in the attempt to diffuse the 'enabling environment' via competitive benchmarking and signal setting. Take for example the *Doing Business* volume for Indonesia for 2011, which is entitled *Making a Difference for Entrepreneurs*. The report brings the country into much sharper relief against other countries in relation to the ten key *Doing Business* reform areas. Indonesia is shown to be ranked relatively lowly overall at 121, set unfavourably (yet, strategically on the part of its authors) against its Southeast Asian peers of Singapore (first), Thailand (19) and Malaysia (21).[20] Specific diagnoses emphasise Indonesia's dire health in the various 'vitals' of doing business: starting a business takes nine procedures and 47 days, a reality which the report sets against 'good practice' economies such as New Zealand (which takes one procedure and one day). Further, the costs and duration of each of the nine procedures involved in opening a business in Indonesia are broken down, with each process described in considerable detail (World Bank, IFC 2010: 2, 6-14). With regard to 'Paying Taxes', Indonesia is ranked 130 in the world. Here the world's fourth most populous country is 'unproblematically' set against high performers such as the

[19] Some 'interesting' assumptions about both workers and business are made in the calculations. See (ibid.: 82). Indeed, the methodology and assumptions of *Doing Business* have been shown to be highly problematic on many levels. See, for example, Marais (2006), Bath (2007) and McCleod (2007). This said, in this paper I accept that the current approach is operational and influential and deserves scrutiny not just for its methodology but for its role in a broader particular political agenda.

[20] The report highlights that Cambodia, the Philippines and Lao did comparatively worse than the Southeast Asian giant.

tiny Maldives (which only has three payments and a compliance time of ‘0 hours’). Likewise, Timor Lesté is directly compared as favourable with its average tax on profit of 0.2%. In contrast to both of these, Indonesia is held up as having 51 payments, requiring 266 hours of compliance and taxing, on average, 37.3% of profit. Achieving some of its worst results, Indonesia’s scores on ‘Enforcing Contracts’ see it with 40 procedures, totalling 570 days and costing 122.7% of the amount claimed – figures set selectively against some its regional neighbours and global hotshots (ibid.: 48-49, 61).

The point here is not so much about the numbers – entertaining as some of these are – as what is actually attempted through *Doing Business.* Taken together, the annual report and the country reports are a new attempt to encourage reform using ‘name and shame’ methods and competitive benchmarking, with the latter judiciously setting countries against their regional counterparts and global reform goodie goodies. Here, history, politics and geography – not to mention case-specific analyses of what might actually be beneficial for business in a given environment (Høyland et al.: 2008: 1) – are swept aside in an exercise ostensibly linked to facilitating development via incentivising the adoption of a uniform institutional array. It does not matter that Indonesia has a population of 238 million, a per capita GNI at around US$1,650, or a history of extractive colonialism that was followed by a kleptocracy. With *Doing Business*, what is good for one is good for the other, and it is implied that adopting ‘smart regulation’ can help a country move from underdeveloped to developed by adopting the *Doing Business* regime.

This whole discussion would be irrelevant if *Doing Business* was ignored by those that it seeks to influence. However, there are indications that governments take at least some of these rankings quite seriously. While the number of ‘ease of doing business’ reforms has increased quite markedly (noted above), this could of course be the result not just of *Doing Business* but the general diffusion of neoliberalism more broadly (which takes place through many channels, including World Bank projects and the education of bureaucrats at particular schools of government). However, as World Bank personnel in Dili made clear, when the results of *Doing Business 2006* came out and Timor Lesté was near the bottom, certain figures in the government were less than impressed, making enquiries, firstly, as to how the results were arrived at and, secondly, which reforms could be adopted to improve the scores (interview, Dili, February 2011). Likewise, the Malaysian government has proudly proclaimed its intention to do whatever it takes to graduate to the *Doing Business* top-ten (Høyland et al.: 2008: 1). Moreover, despite the Bank arguing that *Doing Business* does not advocate a particular level of labour regulation, both the World Bank and the IMF have used *Doing Business* indicators ‘to propose reducing or doing away with various types of labour relations in particular settings (Bakvis n.d: 1).’

In an era of reform weariness, *Doing Business* constitutes a new strategy in FoD neoliberal technocratic efforts, incentivising the selection of particular reforms which are becoming increasingly central in agendas legitimised partly via their contribution to addressing poverty and improving development outcomes, obfuscating critical issues for development such as uneven social relations within and across national borders and across time and the reasons for these. In this respect *Doing Business* and the other disciplinary institutional interventions should be seen as the latest extensions of the PWC – novel technocratic distractions which erroneously establish little ‘d’ development as the result of adopting an ideal set of institutions (which big ‘D’ development ‘knows’) and which assist in legitimising (within and without the state) new interventions to establish market society.

Snapshot 2: Working on, through and around the state – the case of Manila’s water services

If *Doing Business* constitutes an important new disciplining weapon in the arsenal of rolling out market society and the extending 'idealised' capitalist social relations in the name of development – constraining the imaginations of those genuinely interested in material conditions for the many, it is far from the only one. Indeed, the IFC, the regional Development banks and bilaterals (often through trust funds placed with the multilaterals) have some crucial new tools related to transforming not only service delivery and infrastructure but – with them the relationship between state and citizen. In this section we look at one example – the transformation of Manila's water services – of how this takes place via FoD's work both *on, through and around the state*. The story here is a fascinating if somewhat troubling one, in which the IFC plays a fomenting role in market extension – first using technical assistance to shape essential service delivery and, secondly, using investments and loans to highlight a PPP 'success story' amidst failure, mitigate risks to capital and open up new opportunities for accumulation. More than this though, the IFC's involvement in Manila's water services shows how under FoD, PPPs are often not static arrangements – public-private hybrids set in stone. Indeed, as we will see the case below demonstrates how the 'private' aspect of a PPP can be actively amplified by the IFC over time.

In the 1990s, the IFC was brought in to provide technical assistance on the privatisation of metropolitan Manila's water services – which, like many services in countries with large populations and per capita GNPs resting around US$1,000 in the mid-nineties, were characterised by low pressure, low connectivity, high amounts of lost water (through leakage and theft) and poor quality (Buenaventura and Palatto 2004: 1; Esguerra 2003: 10, 13). Also, not uncommon in both the developed and undeveloped world at the time, Manila's water services were provided by *the state*. Saddled with public debt (a significant portion of it multilateral), the government' options were always going to be constrained. However, significant figures in the government (including the then-President) were already convinced of neoliberalising measures as a fix it to ailing state services and were particularly impressed by the realisation that the IFC, as a public organisation that operated according to private sector rules, could provide the necessary technical assistance for the addressing the situation (Dumol 2000: 4, 19, 27).

What emerged from this relationship between the IFC and the Philippines government – for which the IFC received an advisory services fee of US$6.2 million[21] – was a hybrid public/private arrangement (a public-private partnership or PPP), many variations of which are now found all over the world.[22] PPPs are now front and centre in the toolkit of orthodox development practice and, in particular, that of the IFC. Crucially, such arrangements are now being pushed into some of the poorest countries on earth, with the IFC newly charged with promoting such investments in countries that borrow from IDA (IFC 2009). In conversations with IFC officials – from Sydney to Timor Lesté to Washington DC – mention of PPPs and their central role in Development is never far away. Loosely speaking, a PPP can be any mix of public and private participation around the delivery of services and infrastructure. Typically though, the term now commonly connotes a division of labour, enmeshed in contractual arrangements, whereby private companies, subject to public regulation, deliver services ranging from electricity provision to welfare services. The key characteristic of a PPP for Development is that the state *regulates* – performing its 'duty' as a regulatory state – and stays at arm's length from service provision.

In Manila's case the city's water services were divided up into two separate concessions (an east and west zone), a structure known as the 'Paris model'. These concessions would be bid out in a competitive manner, with the winners being the parties

[21] The fee was to be recovered from the winning concessionaires.
[22] Finger has detailed some of these different manifestations in the water sector (Finger 2004: 286).

able to supply water at the lowest cost while adhering to contractual obligations. In best practice regulatory state fashion, a new regulatory agency was created – the Metropolitan Water and Sewerage Service Regulatory Office (MWSS-RO) – to oversee the concessions. This office would be the arm of the state that would be the 'autonomous' check and balance on the concessions, assisting in realising the efficiencies and popular benefits ostensibly derived from private participation. The logic here was centred around the idea that profit-oriented service providers, held to legal contracts, would be incentivised to expand service coverage, limit water loss and improve water quality. Property rights demarcated (to private players), the regulatory institution – in truly, depoliticised, NIE form – would be key in offsetting asymmetries in information, holding the contract-bound entities to their word, ensuring the broad-based benefits regularly accorded by neoliberals to market efficiency.

To be sure, as a policy option generally, the PPP was a logical successor to the first rounds of privatisation – in the first, second and third worlds – where all sorts of problems emerged relating to reconciling private interest with that of the public.[23] By the time of Manila's water privatisation, elites within the Philippine state were more than aware of the hostility towards privatisation – seeing full-scale privatisation as politically untenable (Dumol 2000:14). 'Part-privatisation' would be the politically palatable answer here – an answer that the IFC could not only advise on but also, somewhat surreptitiously, push further as history progressed. For what occurred with the IFC and Manila's water services was more than just a short-term advisory relationship, with the IFC bringing important doses of 'expert advice' and 'legitimacy' derived from of their 'independent' position as a multilateral organisation – something clearly in the mind of the bureaucrats that engaged the Corporation (ibid.: 27). Indeed, adopting an increasingly familiar position, the IFC would get actively involved in shaping the nature of the PPP over time, being a crucial element in further amplifying the middle 'P' in 'PPP'. Here, the IFC would consciously play 'stabilising' and 'market extending' roles in the face of problems with the PPP arrangement[24] – with project documents pointing to concerns over the need to support 'one of a limited number of success stories of privatisation in the water and sanitation sector in emerging markets' (IFC 2004).

To this end, post-advising on the PPP upfront, the IFC became very actively engaged in supporting the less problematic of the two concessions – run by a company known as Manila Water, an impressive fusion of a Philippine oligarchic family and international capital.[25] IFC support for the concession and the company would come in the form of loans and indeed equity, the latter now being a key instrument used in FoD operations. What is important here is that in this case equity is not simply a capital contribution for expanding the company, pointing to new roles that certain FoD instruments are being used for in marketisation. While the loans and the equity shares were all designated as supporting the company to meet its obligations under the concession agreement, IFC's support was also made conditional upon the company pursuing an initial public offering (IPO) (listing on a stock exchange), which took place in March of 2005.[26] Several months after the listing and

[23] The problems were perhaps most famous in Russia, where privatisation efficiently transferred massive amounts of public resources (often through rather unsavoury practices) to a few oligarchs (Hedlund 2001: 213).

[24] Within a very short period of time after the awarding of the concessions, serious difficulties emerged in one of the concessions (the western concession) – a reality variously put down to issues pertaining to the Asian crisis and currency fluctuations, problems with the tendering process, not to mention the bad management of the concessionaire itself. This concession was temporarily taken back by the state – in a rather protracted process that spoke volumes about the assumptions by PPP proponents about the divisions between state and capital – and was then bid out to a new concessionaire. See Carroll (2010: 126-129).

[25] The Ayalas are known for their property holdings, and have very large real estate interests in the water concession which Manila Water holds. The company is also partly owned by Bechtel and Mitsubishi.

[26] The listing was the first international public offer by a Philippines issuer since 1997 (Manila Water n.d. 4, 41).

some seven years after the start of the PPP, the IFC took a further shareholding in Manila Water, purchasing 176,400,000 shares at PHP 4.75 (worth around US$15 million). IFC also approved a US$60 million loan package to the company in which it was a crucial shareholder (Carroll 2010: 130; Manila Water n.d. 4, 41).

What is particularly evident here is that the privatisation process that begins with technical assistance and a PPP – precisely because an outright privatisation was politically inconceivable – evolves over time, becoming more private, with the company's ownership further defrayed (more owners) and subjected to the direct discipline of the stock market. It is perhaps worthwhile noting that this of course makes renationalisation or even milder state interventions of a regulatory nature more difficult, with ownership spread further (including to offshore investors) via a stock exchange whose integrity would not be easily interfered with by government. Interestingly, Manila Water's IPO in March of 2005 saw seventy per cent of shares bought by foreign investors (with almost two thirds going to by Asian investors and the remaining third going to Europe and the US (Landingin 2005). The IPO listing of Manila Water means that not only is water service provision further marketised – it is actually internationally financialised, with Manila Water (as service provider) now not simply answerable to the individual investors of a private company and a regulator, but indeed also to foreign owners of a publicly listed one.

Importantly, the support IFC provided Manila Water was crucial for particular reasons – both ideological and material – which point to the new roles that the Corporation is playing by taking equity in companies. On the ideological side of things, the task of bolstering a rare marketised success story is clearly part of the incentives driving the IFC's support, as the following document excerpt makes clear:

> MWCI stands out as one of a limited number of successful privatizations in the water and sanitation sector in emerging markets. The company has made good inroads into the poorer areas of its concession area. IFC's assistance to MWCI builds upon the earlier privatization advisory work by supporting a concessionaire that has demonstrated the efficiencies and client responsiveness that a private sector provider can introduce to the provision of public services (IFC 2004).

Of course, one can see material interest at play here too – the IFC is after all a profit-oriented organisation and we can assume that prospective privatisations are envisaged to be an important part of its future portfolio. However, more than this there are the material interests of Manila Water itself. Prior to the IPO, Manila Water and its other prominent shareholders (Ayala, United Utilities, Bechtel and Mitsubishi) were keen to have IFC on board because of the confidence that a 'prestigious', 'signal sending' institution such as the Corporation would instil in prospective shareholders, together with the opportunities that IFC participation could bring in terms of access to finance at favourable terms in a complicated (for financing) 'emerging market' setting (IFC 2002). As we will see in the following section, these roles are seen as particularly vital when the IFC goes direct to sector, *working around the state* from the outset.

Snapshot 3: Working around state: IFC's strategic investments and the opening and expansion of spaces of production

The role of mitigating risk and other costs to capital via investment as a 'signal sending' institution, is a vital one for both capital and the IFC. As a multilateral organisation that traverses the public/private divide, the IFC is crucially placed to mitigate risks to capital unlike any other institution (save its own kind, such as the EBRD). This role is of great benefit to *international capital* operating in 'frontier' and 'emerging markets', where political risks of 'rent seeking' and prospects of wholesale expropriation can push financing costs up and reduce profitability and indeed viability. In such environments there are other potential costs and liabilities that come, for example, from working with patrimonial regimes with 'inconvenient' environmental and social records, which from international capital's perspective can be a serious liability that devalues a brand. Subsequently, the IFC plays a critical role for international capital in frontier markets, not only reducing risk via equity investments, formal guarantees and the informal guarantee that its presence alone commands, but also via its deployment of safeguards and standards (more on this below). The IFC also expends significant energy tackling access to capital issues for *domestic capital*. Here, 'access to finance' in the name of development justifies new strategies that include encouraging and assisting microfinance NGOs to be 'flipped' into profit-oriented microbanks and working through larger scale financial intermediaries to foster SME sectors. In this final snapshot of FoD in action, I present two examples of how the IFC is opening up new spaces of production by going *direct to sector, around the state* and, in turn, not only transforming notions of 'development' but social relations too.

IFC's support for the BTC pipeline traversing Azerbaijan, Georgia and Turkey is particularly demonstrative of IFC's pivotal participation in mega projects in 'frontier environments'.[27] Here, the IFC brings a whole host of instruments and clout to bear on a project to securitise the interests of capital. In the case of BTC, a consortium lead by BP was interested in securing a key conduit for Caspian oil to the Mediterranean. The pipeline would be around 1760 kilometres, pass by various conflict zones, not to mention constituting a major thorn in the side of an agitated Russia, which saw the pipeline as increasing Western presence in its backyard and decreasing its leverage over former Soviet republics, such as Azerbaijan and an increasingly 'recalcitrant' and pro-US Georgia. Further, Azerbaijan's ruling regime – a family-based authoritarian entity known for both its disdain towards civil society and other 'governance issues' made BTC a risky project for capital, especially in terms of risk to reputation. However, with the potential to open up not just the fields off of the coast of Azerbaijan but also those further east in Kazakhstan, there was a lot that made BTC a potentially lucrative project. Realising this though would of course entail financial feasibility. This would depend on the price of oil (which turned favourable for the project) and it would also require financing at favourable rates (especially for BP's consortium partners). Finally, it would require BP to protect itself from the sort of damage that it had attracted on projects in places like Colombia and Angola, projects that had seen the company subjected to heavy attack from human rights groups for its apparent support direct and indirect of rather pernicious regimes. With Azerbaijan set to earn big revenues for BTC (in 2005 when the pipeline finally came online BTC gave Azerbaijan the highest GDP growth in the world), there were no doubt obvious concerns about what the project would deliver in terms of actual social and political outcomes.

Because of its perceived riskiness to private capital, BTC would require massive injections of public capital and public-backed insurance. Here the IFC and EBRD would team up with the who's who of export credit agencies and bilateral financing institutions from the US, the UK and Japan to do precisely this. The funding model proposed put up US$1.7 billion of public money for the project, in a 70/30 debt/equity structure (Lazard 2005). While the IFC and EBRD only put up reasonably modest sums (US$125 million each), they were central in getting the project through in its final form (some estimates place the total value of the oil projects associated at BTC at over US$20 billion). The involvement of the IFC and

[27] This section presents revised material from Carroll 2011. Readers interested in a deeper investigation of the IFC and the BTC project should consult this reference.

others was crucial for political risk mitigation generally and, in turn, securing private sector financing at cheaper terms than otherwise would have been possible. The IFC (which had invested in the 'early oil' project that BTC built upon) and the EBRD came to the project armed with their sovereign country membership, direct connections with recipient governments and positions as custodians of important purse strings, giving some sense of assurance for capital vis-à-vis host governments. Here, IFC, EBRD (and the others) played the much-underappreciated role of 'risk mitigators' in the process of opening up the Caspian's pickings, assisting in attracting the private doyens of the financing world, including Citibank, ABN Amro and Société Générale to finance the remaining amounts that the project required.

Yet, for IFC and its public sector partners, playing the role of mitigating risk for BP entailed mitigating some risks of their own. This would involve the deployment of transparency and safeguards instruments – elements that owe much to the PWC and the high-profile attacks that accompanied many large-scale multilateral infrastructure projects. As noted above, the World Bank Group (including the IFC) was no stranger to critical voices dissecting its operations, including in its sponsorship of large-scale oil and gas projects. On this last point, one IFC staffer who worked on BTC noted in an interview that in particular the IFC had learned lessons with the Chad-Cameroon pipeline – an earlier project similar to BTC. As a large-scale, transnational oil project involving countries with well-established track records of corruption and conflict, BTC had much in common with Chad-Cameroon. This could only have raised concerns with people within the Corporation and other sections of the World Bank (which was simultaneously busy undertaking its Extractive Industries Review, an assessment exercise to respond to 'stakeholder concerns' with regard to resource extraction and its connection to human rights and the environment). No doubt adding additional anxiety, BTC's development was also accompanied by a concerted international campaign from NGOs that spanned from London to Baku. Letters regarding concerns over BTC were variously written by these NGOs to the World Bank's President (James Wolfensohn) and to core personnel at the IFC and EBRD. Interestingly, despite the IFC's board becoming anxious, key personnel argued that this was *precisely* the sort of project IFC should be involved with (Interview, Ankara, 2008).

The IFC's approach to BTC was also shaped by its involvement with the 'early oil project' in Azerbaijan, which the organisation had provided finance for in 1998, and the experience of other multilaterals in the country (International Finance Corporation 2003: 3). The International Monetary Fund (IMF), had earlier made the receipt of an Enhanced Structural Adjustment Facility (ESAF) loan conditional upon the establishment of a formal oil fund 'with explicit operating, investment and expenditure rules (Bagirov, Akhmedov, and Tsalik 2003: 107-108).' Without this in place the IFC would have been reticent to participate in BTC. However, with the fund in place, IFC's approach to BTC paid significant attention to addressing other potentially problematic areas within the existing project's structure, in particular expending considerable effort upon issues of disclosure. The organisation did two years of due diligence on the project and made BP and its affiliates produce a Regional Review (a document that would 'complement and supplement' the environmental and social impact assessments (ESIAs), addressing issues that had not been addressed – such as the background of the pipeline's controversial route). It also demanded the release of an Environmental and Social Action Plan (ESAP), Resettlement Action Plan (RAP) and disclosed its ongoing dialogue with NGOs concerned about the project (International Finance Corporation 2003). The organisation successfully insisted on the releasing of the Host Government Agreements (HGAs) and the Inter-government Agreement (IGA) – the core governing legal frameworks for the project, and (along with the EBRD) convened six multi-stakeholder meetings (two in each of the affected countries) prior to signing off on BTC

(CDR Associates (on behalf of IFC and EBRD) 2003). IFC also demanded a commitment register and action plan to govern the responsibilities of contractors. Finally, the Corporation partnered with BP and others to establish the Small and Medium Enterprise (SME) Linkage Program (echoing similar efforts with the Chad-Cameroon pipeline), which sought to assist local companies realise benefits from the BTC project.[28] Taken together all of these efforts made by IFC were important in legitimising both the Corporation's own involvement and in turn, the broader BTC project. Indeed, BTC presents a very revealing insight into how the language and logic of risk mitigation is now manifesting in a broad suite of instruments deployed by FoD organisations that are not only transforming corporate practice but society too – with the results are not always desirable.[29]

However, the role that the IFC plays in mega-projects is not the only way in which the organisation works around the state to expand market activity and transform Development. Indeed, focusing very much on the domestic level, the IFC and other FoD organisations are ambitiously designing and operationalising new interventions under the banner of 'access to finance' – interventions which carry with them the social engineering aspects of neoliberal Development policy to new heights.[30] Indeed, FoD is now targeting the creation and nurturing of whole MSME sectors in the underdeveloped world. Indicative of this push, in 2009 the IFC expected to contribute an extra US$1 billion to the micro and SME (MSME) sector in East Asia and the Pacific as a result of its investments that year, with over 1.5 million loans related to its portfolio in the MSME sector.[31] Much of this work manifests through financial intermediaries that an organisation like the IFC advises and lends to, and invests in. These organisations are then tasked with on-lending to MSME sectors. In this regard, IFC projects in Vietnam and China are prominently highlighted as helping 'partner institutions deliver US$9.6 billion in finance' to this sector (IFC 2009: 60-61).

In many instances these financial intermediaries are microfinance organisations, with microfinance being held up by the IFC as a critical tool in the fight against poverty. While much scepticism abounds with respect to microfinance and its links with development (See Weber 2010; Bateman and Chang 2009 and Chang 2009: 7-9) it is rapidly becoming a lucrative and growing product line for the IFC, with the organisation playing central roles in providing paid in capital and loans to support the expansion of microfinance. In Indonesia, where MSMEs 'employ' 97.3 per cent of the population, the IFC committed to supporting PT Bank Tabungan Pensiunan Nasional Tbk to the tune of US$70 million, with nearly $16 million to be a loan convertible into equity for the IFC and the remainder being a 'senior loan' (IFC 2011a' 2011b).[32] The bank is stated as serving over 64,000 thousand customers – 'most of whom are small traders and kiosk owners' and the IFC's support is seen as facilitating an increased expansion of financial services. Likewise, the Corporation funded 20 percent of Bank Andara – Indonesia's first wholesale microfinance organisation, which services lower level microfinance organisations (an example of investment in a financial intermediary that invests down into other financial intermediaries) (IFC 2011b). With these efforts IFC is not only creating expansion opportunities in the name of development – which

[28] BTC was also the first significant test for the new 'Equator Principles', another set of voluntary principles, this time signed by private financial organisations and developed in consultation the World Bank.

[29] The risks that these projects and their repercussions bring to domestic populations are often huge. I have presented these in significant detail in relation to BTC elsewhere (Carroll 2010).

[30] Weber, following Gill, has adroitly emphasised the way in which social discipline – much like the rest of the neoliberal agenda – is extended by microfinance regimes. Given time and space constraints, I have not amplified this point in the analysis here but intend to do so in future drafts as it has much resonance with the situation observed, not to mention consonance with the broader analysis of the paper.

[31] The 2009 IFC Annual Report claims that in 2008 the IFC's clients provided US$41.3 billion to 486,550 enterprises and US$ 4.5 billion to 5 million microfinance enterprises (IFC 2009: 93).

[32] The IFC has also committed to helping the bank raise more capital.

in most cases are very minimal given the particular organic compositions of capital found in most developing countries –, it is normalising microfinance as an orthodox Development fix-it, signalling that it is a key mode of support that can substantively improve material conditions. And on this missionary task, it is attempting to enlist new members not just into the congregation of microfinance but, mirroring the transforming role IFC takes with PPPs, by converting them to a *more privatised version of microfinance.* Often a niche for NGOs, empirical evidence suggests that the IFC wants microfinance to be a private affair run according to private sector rules.

For example, in Timor Lesté an NGO, Tuba Rai Metin (TRM) is a microfinance organisation that has operated since 2001 (it was originally part of the Save the Children and later transferred to the Catholic Relief Service). The organisation, located in a run-down building in a laneway next to the Chinese embassy, currently has branches in five districts of Timor Lesté. TRM has approximately 55 staff, around 3500 customers and is the second largest microfinance organisation in Timor Lesté. Not surprisingly, given Timor Lesté's highly underdeveloped state – characterised by a low value-adding skill base and few value-adding/productivity enhancing technologies – the organisation issues very modest loans ranging from US$50 to US$3000 to both individuals and groups. As of August 2010 made a very modest profit of US$64,342 and its repayment rates are high (over 96 percent). However, plans are on the cards for expansion of services and the organisation is currently looking to raise US$1.5-2 million from investors and in the process gain a 'c' category financial license from regulators, transitioning to a savings-led microfinance bank. Here, the business plan centres on capturing some of the very modest opportunities (TRM documents describe 'aggressive growth plans') offered by a country where 70 percent of the population live on US$2 a day or less. To put these opportunities in perspective, the chase is on to capture an untapped microfinance market estimated to be US$50 million in size (the current serviced market is estimated at US$29.5 million) or a meagre US$50 per person. Meeting with a senior TRM officer in Dili, it is clear that the organisation wants to stabilise and expand its operations (quite reasonably given tumultuous past dependence on foreign aid and assistance). However, the discussion quickly turns to the IFC's role in this process, with this individual describing the regular contact that IFC personnel in Dili make with the TRM, and the support that the Corporation provides in the form of advice and office equipment. Crucially, the recommendation from IFC is unsurprisingly clear – turn TRM into a private bank. And we can perhaps expect that if this happens (which looks likely), IFC will play a further role – incentivised as it is for increasing its operations in the world's poorest (IDA) countries.

To deny that countries such as Indonesia and Timor Lesté have huge development issues and that most of their populations need a dramatic increase in material conditions would of course be criminal. However, tackling such conditions with publicly supported, profit-oriented micro-lending seems at best palliative care for liberal consciences and at worst another element in substituting agendas derived of ideology and the constraints of short-term material interest for methods that actually have substantively raised living conditions in the past. While the broader implications of the IFC's support of the MSME sector requires more analysis (which this author is currently engaged in), previous experiments in this domain (such as the Grameen Bank), not to mention figures of the sort noted above, hardly seem ready to yield conditions that Development practitioners would themselves describe as developed if they had to live them. This said, Development practitioners concentrate, first and foremost, on portfolios of projects and we can expect these to expand over the next few years via many new FoD exercises in funding financial intermediaries.

Conclusion

This paper has provided an introduction to an area of investigation that undoubtedly requires more conceptualising and more empirical analysis: what I have called the financialisation of development (FoD). However, the paper has made the case that the discernible trends outlined are transforming not only Development but both states and societies too, playing central roles in marketising these last two. If Washington consensus structural adjustment was deeply suspicious of the state, attempting to decimate it in various ways, and the PWC brought the state back in as a regulatory state central to the constitution of market society, FoD is the next step in rolling out market society and 'a" world market" of genuinely global scale'(Cammack 2011: 1). In many ways FoD is itself a public-private hybrid in that it variously works *on, through and around the state*. However, like the very PPPs that FoD readily recommends to the global south it is a project that privileges private interest as being in the interest of the broader public. Many have outlined the problems with this understanding of the relationship between the public and the private under the PWC, problems which can be variously divided into liberal concerns over 'capacity' in poor countries and those more deeply sceptical of the reconcilability of the interests of elites and polities – a sentiment that tends to become more pronounced in the very countries where FoD is proceeding apace. Moreover, FoD brings with it many of the other problematic assumptions of technocratic neoliberalism – in particular the notion that certain nation-state interventions based upon privileging the private sector can not only be meaningfully implemented but can deliver results that popularly accord with development.

The genesis of FoD can be seen as emanating from various pressures, including challenges of legitimacy for state-oriented neoliberal reform efforts and the various material and ideological interests that are vested in the approach. This alignment, in the face of no seriously mobilised alternative based around a *repoliticisation of development*, suggests that FoD no-doubt has quite a way to go, with the IFC and other FoD organisations set to see expanding portfolios and playing increasingly important roles in the atmosphere of a permanent crisis. However, more work needs to be oriented towards understanding FoD's 'logic', the interventions that this underpins *and the actual results of these interventions*. This last point demands a greater understanding of the relationship between FoD and particular material interests – in particular different factions of capital – and other processes attending the constitution of a world market. Finally and perhaps crucially, this work then needs to be set against alternative examples of how material conditions have actually been substantively improved under late capitalism. Here, the few stories that are revealed – such as those of South Korea and, much more modestly and recently, Vietnam, might not be easily replicable in technocratic blueprints, nor should we want them to be. However, fleshing out the truly historical, political and ideological aspects of what actually made these development narratives possible, remaining cognisant of their contradictions and achievements, would be a good start in breaking the spurious development project that is neoliberalism.

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