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Politics from Below: The Failure to Achieve Sustainable Fishery Markets

This paper will argue that creating sustainable markets in fishery products is proving to be a highly fraught process. Without question, impetus for this initiative has been sourced and publicised by a diverse range of trans-national think tanks, conferences and organisations. I argue however that the global consensus to mitigate risk in this manner is relatively powerless to shape outcomes at the national level.

The Food and Agriculture Organisation (FAO) and its relationship with regional fishing arrangements will be used to illustrate this. The FAO has been a clearinghouse in publicising the parlous state of the world's stocks and an extensive legal and environmental infrastructure has developed to address this issue. Despite these efforts, the technocratic approach of this organisation has proven to have limited capacity to engage the power of vested interests at the regional level. The case of the Southern Bluefin Tuna (SBT) fishery will be considered in some depth to illustrate this point. Despite continued pronouncements concerning the state of the resource, the issue of sustainability and risk management has remained a deeply fraught and highly contested process. Similarly, attempts to establish a sustainable market in the sale and distribution of the stock is largely being designed, it will be argued, to protect commercial interests, rather than instil more sustainable fishing practices.

Analysis will consider these developments as reflecting the political economy of the parties involved in the fishery, with an important aspect of this discussion focusing upon the limited capacity of the FAO to shape these developments. Following this discussion the significance of environmental regimes and the possibility of greater civil society involvement on these issues will be considered. Civic engagement, it will be argued, will be strongly influenced by the 'shape' of state/civil society relations as illustrated in the SBT case. Some comparisons will be drawn with regional forestry initiatives and the Intergovernmental Panel on Climate Change process to further underscore these points.

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Political and Financial Institutions and the Market for Corporate Control in Asia: An Empirical Analysis

Over the past decades, the International Monetary Fund (IMF) played an important role in promoting the liberalisation of financial markets across Asia (Fisher 1997, 2001). The opening of domestic financial markets to competition, and especially the removal of entry barriers to foreign investors, is generally understood to bring about significant benefits in terms of greater stability and economic growth. Yet, the liberalisation of financial markets may be hampered both by interest groups, which oppose competition (Rajan and Zingales 2003), and by unsound public policies which are inadequate in their provision of risk protection against unwelcome market outcomes (Landy et al. 2007).

This paper builds on the assumption that policy advice on the construction of financial markets in Asia can benefit from an assessment of the extent to which the liberalisation of financial markets has progressed so far. This issue is addressed by honing in on a particular segment of financial markets, namely the market for corporate control (MCC). The question tackled is whether there is any relationship between countries' political and financial institutions on the one hand, and the intensity of mergers and acquisitions (M&A) activity on the other. The hypotheses tested concern the presumed causal role played by the 'quality' of political and financial institutions on the intensity of M&A activity, especially cross-border one.

The econometric analysis is conducted on two data sets of Asian and non-Asian countries. Data includes M&A activity in the period January 2007-June 2010 (Thomson ONE Banker), selected features of political institutions (Keefer 2009) and of financial institutions (Beck et al 2009). In addition to confirming some well documented results on the positive role of political and financial institutions that mitigate risk of expropriation, this paper brings some empirical evidence on the importance of political accountability and shareholder protection on the activity of Asian capital markets.

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Public Organizations, Loan Agreements and Worker Rights: Mechanisms for Improving Labour Standards and Regulations in Emerging Asian Markets

In a recent paper (2010), we proposed a typology that considers variations in the ways that organisational actors interpret the rule and performance of regulators as well as the impact this has on compliance. In emerging markets however, regulatory implementation and enforcement is often weak or even absent. Nevertheless, the typology of the regulator as an *ally*, *threat*, or *obstacle*, has important applications in these regions. Interestingly, in emerging markets this typology can be extended from regulators to also include international financial organisations such as the World Bank, the International Financial Corporation (IFC) and development financial institutions. This is because multilateral lenders can design loan agreements that work to fill some of the gaps left by domestic regulations and laws. Integrating international standards into borrower-lender arrangements is done to mitigate financial, environmental, and social risks faced by both parties and requires that they interact according to the *regulator as ally* typology. In this paper, we critically discuss the regulation and enforcement of labour standards in Asia, and specifically consider the extent to which the IFC and the Asian Development Bank integrate labour standards into their loan agreements to mitigate some of the social risks of business ventures in emerging markets. We also consider how these loan agreements might influence operational norms and the formation/evolution of domestic laws and regulations. In discussing these concepts, we show that the *regulator as ally* typology has an important application to lender-borrower relationships which in turn, can work to beneficially shape emerging markets and domestic institutions.

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Taming Investment Risk in the Philippines: Multilateral Mining Regimes, National Coping Strategies & Local Tension

The World Bank, which has played a historical role in engineering mining laws, policies and institutions throughout the Global South, is today adamant that a liberal mining framework focused on attracting foreign investors judiciously balanced with strong socio-environmental safeguards is foretelling of pro-poor economic growth. This *Social-Development Narrative* however, carries with it a particular politics of mining governance, one that transforms the functions, responsibilities and legitimacy of the

stakeholders involved in mining activities. This paper builds on the case of the Philippines, which in an attempt to tap into its astounding mining potential – it is after all the fifth resource-rich country in the world – has adopted a mining regime, which resolutely echoes the recommendations of the World Bank. Crippled in its infant stage by legal challenges and a taxing socio-environmental legacy, the country's mining regime was only deployed by late 2004, amidst great efforts by the cash-strapped Arroyo Presidency to unleash a race for the country's natural resources – now worth an estimated US$1 trillion. Correlated to the socio-environmental legacy of mining activities in the country, a legacy that has provoked the uproar of one of the most numerous and organised civil societies in the world, the Social-Development Narrative is here argued to induce the state to embrace particular strategies to both contain and manage opposition to mining activities, therefore reducing investment-risks in the sector. Crucially however, the analysis of the blatant disparities between the Filipino mining regime and its implementation on the ground demonstrates that in addition to constricting the political arenas of civil society stakeholders, the new mining regime appears to be riddled with unbridgeable contradictory objectives and therefore runs the risk of exacerbating local tensions.

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Building the Market-State and the Market for State-Building in the Asia-Pacific

In recent years, various forms of international/transnational state-building have become increasingly common as a way of managing the perceived risk posed by dysfunctional governance in so-called fragile states to Western security. In the Asia-Pacific, the Australian government has been particularly proactive in leading or participating in complex interventions, most notably in Solomon Islands and Timor-Leste, designed to build the capacity of these countries' governments and administrations to provide more effective governance. Dominant approaches to state-building link state failure with a failure of development and typically involve considerable efforts to promote economic development through the establishing of robust institutional structures seen to be supportive of liberal markets. In particular, interveners have attempted to cut 'red-tape' for business, eliminate corruption and secure investor rights as a way of facilitating faster and more sustained growth. Though economic activity has often improved in the intervened states, not least due to the arrival of many well-paid expatriates, much of this activity has occurred in highly unsustainable extractive industries, such as logging and fishing. Ironically, then, to the extent that state-building programs have supported the expansion of liberal markets, this has mainly involved strengthening interests hitherto reliant on primitive accumulation for their power. As a result, the expansion of liberal markets is likely in fact to lead to future social and political instability in the intervened states, either as a result of resource-depletion or due to bottom-up forms of social conflict around the destruction of local habitats.

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Multi-dimensional Performance Approach to Reforming Network Industries: An Application to Reforming the Chinese Railway Sector

The creation of markets in network industries has more often than not been driven solely by an economic performance rationale. While increasingly included, other variables such as social values (e.g., public service) or environmental values usually rank as lower priorities. This runs the risk of achieving short-term economic goals at the expense of longer-term social acceptance.

Building on the 'technology-institution coherence framework', this paper seeks to determine the role played by international government organisations (IGOs) in ensuring a broad definition of performance in network industries. Specifically it proposes to discuss the involvement of two majors IGOs (namely the World Bank and the Asian Development Bank) in reforming the Chinese railway market.

The first section presents the technology-institution coherence framework and discusses the risks one runs by failing to use a multi-performance approach when reforming network industries. The second section provides a brief overview of the major reforms undertaken in the Chinese railway sector during the past decades. It also identifies the performance objectives that underpinned the creation of the Chinese railway market. The third section analyses the IGOs' support in reforming the Chinese railway network and shows how their involvement changed over time. Particular importance will be given to identifying whether and how various performance objectives (e.g. economic, technical, social or environmental) evolved. The fourth section suggests a number of governance mechanisms to ensure that the reform/creation of markets incorporates multi-performance objectives.

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Does Risk Mitigation Work through Accountability? Examining the Accountability Mechanisms of the Asian Development Bank

Rapid growth in Asia has fuelled large-scale development projects, particularly in energy generation and infrastructure. In a densely populated region this has parlayed into tensions between state-promoted economic growth and traditional inhabitants' livelihoods in areas targeted for development. Public financiers like the Asian Development Bank have tried to mitigate the risk to local communities through the creation of accountability mechanisms for people adversely or potentially adversely affected by ADB funded development projects. This paper uses a constructivist analysis to examine how and why the ADB created such a mechanism before examining the structure, function and effectiveness of the ADB's accountability mechanisms. Currently under review, the accountability process has already been restructured because of developing member state opposition. Arguably the process of accountability neither satisfies developing member countries or local communities and their advocates raising the issue as to whether risk can be mitigated through public financier accountability mechanisms.

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Building Markets through Quenching Thirst: Clean Water Supply for the Urban Poor in Jakarta and Manila

Water is a key necessity for life. However, in developing megacities where income and social inequalities are prevalent, access to clean water often becomes the luxury of advantaged social groups. In Jakarta and Manila, for many years public financing institutions pushed for privatisation of water provision and distribution – now a reality. Often accused by advocacy groups of not serving the interests of the poor, private water companies in both cities have expanded services to urban poor communities through various programmes, with the support of public financing institutions such as the World Bank and the Asian Development Bank. However, much needs to be understood about the precise impact that market extension has in such settings.

This paper looks at the various programmes for water supply for the urban poor in Jakarta and Manila, including those supported by the Global Partnership for Output-Based Aid (GPOBA) programme, and analyses the extent to which these programmes have played a role in expanding the water service market. In-depth interviews of representatives of the water service companies, representatives of the urban poor communities, and empirical information about the programs allow this chapter to critically examine these programs in understanding the relationships between public institutions and the incorporation of the urban poor as water consumers. These programs are often not as straightforward as they seem, especially with necessary manoeuvring in-between entangled social settings as well as re-crafting established social relationships that were incompatible with the market system put in place.

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Building Markets, Managing Relationships, and Promoting Poverty Reduction and Sustainable Development in Asia: Tensions in AusAID's Approach to Risk Management

Risk management has become an integral part of the way in which the Australian government's overseas aid agency (the Australian Agency for International Development, or AusAID) does business. This paper analyses AusAID's approach to risk management and the way in which it has shaped its activities in neighbouring countries in the Asian region. It suggests that AusAID's understanding of what risk is and the particular risks that it needs to manage reflects the contradictory triple objectives that Australian aid has historically served and continues to serve. That is; (i) to promote the

Australian government's foreign policy agenda, including its security agenda; (ii) to promote the commercial interests of Australian business abroad, in recent years, mainly by encouraging developing countries to adopt market-oriented economic policies; and (iii) to promote poverty reduction and sustainable development in developing countries. At the same time, we suggest that the contradiction between these objectives means that AusAID has not been able to manage all risks equally well—indeed managing some has meant not managing others. In this respect, we suggest that AusAID has prioritised the risks associated with the first and second objectives above those associated with the third. We illustrate this point through an analysis of AusAID's recent interventions in relation to economic governance, particularly in Indonesia and the Philippines. The focus of analysis is on how AusAID's approach to economic governance constitutes markets in these countries and what risks are created and shifted in this context.

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Critical Approaches to Risk under Authoritarian Regimes: The Asian Development Bank and the Greater Mekong Sub region

Multilateral development banks, and the Asian Development Bank (ADB) in particular, have not provided direct assistance to Myanmar (Burma) since the mid-1980s, largely as a concession to global disapprobation of its ruling military regime. Through its Greater Mekong Subregion (GMS) project, however, the ADB still provides indirect assistance to Myanmar and direct assistance to the authoritarian single party states of Laos and Vietnam. The aim of the GMS East-West Economic Corridor (EWEC) is to facilitate trade and investment across the GMS but the Myanmar leg of the road corridor, from Mawlamyine (Moulmein) to the Thai border at Myawaddy, traverses Karen State, which has been fraught with civil conflict since 1948. The ruling military regime along with its allies, the Democratic Karen Buddhist Army (DKBA), nominally controls this route but in mid-2010 there were serious defections from the DKBA to the opposition Karen National Liberation Army (KNLA) over the military regime's Border Guard Force (BGF) leading to increased tension in the area. The regime then closed the border at Myawaddy, ostensibly over a dispute with Thailand but more likely due to domestic political concerns, resulting in a large build-up of goods on both sides of the border. The risks of greater civil conflict in this region are exacerbated by the revenue raising opportunities that various competing groups can derive from increased border trade while the risks of forced labour are ubiquitous for major development projects in Myanmar. The ADB acknowledges that the early stages of the EWEC will be funded by public sources but it clearly sees its role as guarantor of long-term stability for the project to minimise the risks faced by private investment. The very nature of the project itself, however, which ignores domestic political issues, is likely to result in heightened risks of insecurity for the oppressed ethnic minorities who inhabit the region.

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The Economy-Wide Effects of 1st and 2nd Generation of Reforms in Azerbaijan: The Role of International Public Organisations

During the past five years, Azerbaijan has experienced some of the world's highest GDP growth rates, a reality which has signified an increase in economic opportunities. This said, the country now faces the challenge of maintaining its development momentum and transforming itself into an upper middle income economy by stabilising oil revenues and developing new engines of growth. This has only become more important with the onset of the Global Financial Crisis (GFC), which adversely impacted the economy (partially reflecting the very low non-oil growth in the economy). In short, while the development of the oil and gas sector, since independence in 1991, provided Azerbaijan with the opportunity to combat poverty and develop into a sustainable economy, the challenge remains as to how to continue reducing poverty, close the development gap between Azerbaijan's regions, and improve social conditions and governance at all levels.

Public organisations, such as World Bank, IFC, ADB and others have been playing an increasingly important role in the process as a source of finance and 'technical assistance'. The relationships between these institutions and the government have been complicated, often due to the conditions imposed by these organisations. The group's value propositions have included assisting in articulating and putting into practice a comprehensive development strategy; transfer of customised knowledge, capacity building and discipline in project implementation (including competitive procurement and providing diversified financing for the country's development needs).

This paper looks at 1st and 2nd generation of reforms promoted by the aforementioned organisations in Azerbaijan (including small/large scale privatisation, price liberalisation, internal migration, foreign exchange systems and banking reform). In particular, it details the difficulties attending reform in an environment which exhibits a waning consensus for implementing key elements of the reform programme, and the potential for state capture and corruption, the re-emergence of regional security issues and other risks.

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The Changing Role of Multilateral Development Banks as Risk Managers: The Case of Private Equity and Trade Finance in Asia

There is a growing body of literature focusing on how and to what effect multilateral development banks (MDBs) influence the creation of private markets for large-scale infrastructure and energy requirements. Less attention has been paid to their emerging roles as facilitators of financial market growth and development. To supplement their direct financing of projects, MDBs are increasingly allocating funds through private financial intermediaries, such as private fund managers and commercial banking institutions. The paper argues that the growth of intermediary financing has important implications for the role and influence of MDBs as managers of risks. With reference to private equity investing and trade finance facilitation in Asia, the paper argues that the turn towards intermediary financing is having the effect of mitigating risk for national and global private actors while increasing it for local investment-affected stakeholders. Since the policies of MDBs for mitigating local environmental and social risks do not readily apply to the operational context of intermediary financing, risk protection for local stakeholders is (unintentionally) reduced. In contrast, intermediary financing has the (intentional) effect of protecting private investors from a variety of risks associated with investing in developing countries. In summary the paper observes that the growing integration of multilateral development assistance with private financial institutions and markets reflects an ongoing reorientation of public authority in development finance that is transforming relations between MDBs, private companies, and civil society.

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Linking International Development Institutions and Market Formation: Case Study of Energy Efficiency Investments in India

India is facing conflicting challenges of maintaining long-term energy security and mitigating climate change induced risks. An energy efficient economic pathway is considered to be the least costly approach to mitigate these risks. However energy efficiency markets in India are still nascent mainly due to "split incentive" barriers, capital market imperfections, bounded rationality, irreversible nature of energy efficient technologies, asymmetric information, and associated transaction costs. These issues have increased energy efficiency investment risks by widening the gap between small and medium enterprises (SMEs) adopting energy efficient technologies/measures and financial institutions financing the energy efficiency investments. This research argues that successful promotion of energy efficiency market in India would require not only an array of policies and innovative national institutional and regulatory frameworks but also international development institutions.

This paper begins by providing a brief account of various policy incentives to develop energy efficiency market in India and then proceeds to investigate how the work of the World Bank in India helps create energy efficiency market by addressing policy and regulatory issues, institutional weakness, information asymmetry that distorts financial institutions' risk-return signals in SME energy efficiency financing, and risk mitigation instruments such as guarantees. The research proposes an integrated "multiple actors-multiple risk" based framework that maps techno-economic issues, capacity building, environmental risks, investment appraisal and valuation, financial risk mitigation instruments, and project management on synergy development between energy efficiency financing requirement of SMEs and financial institutions. The research concludes that such initiatives by the World Bank help reduce substantial entry barriers and information asymmetry in energy efficiency markets and hence align financiers' risk-return expectations with true risk-reward of energy efficiency projects.

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Opening Laos: Economic Boom or Social Bust?

The Nam Theun 2 Hydropower Project in Laos is easily the biggest and most ambitious hydropower project in Southeast Asia. It is funded by a consortium of international funders that include nine international commercial banks, seven Thai commercial banks, and equity participation from the World Bank, the Asian Development Bank, and the European Investment Bank (EIB). The role of the multilateral banks was crucial with respect to providing multilateral guarantees against political risks as a pre-requisite for the dollar lenders to support the project. The World Bank financed a total of US$150 million – comprising an International Development Agency (IDA) grant for the Social and Environmental Project and a partial IDA risk guarantee of US$42 million for a syndicated loan to the commercial operator, and MIGA guarantees of US$91 million for a syndicated commercial loan covering political risks in Laos and Thailand. The Asian Development Bank co-financed the project through a US$50 million direct loan, a US$42 million Political Risk Guarantee, and a US$20 million public sector loan to the Government of Laos. The total debt guarantees from the multilateral bank amounted to US$186 million which, though relatively small compared to the amounts provided by the private sector, played an important role for the project to go forward. The total project cost is US$1.29 billion and operates on a 25-year BOT (build-operate-transfer) arrangement. Expected revenues are US$2 billion in revenues through taxes, royalties, and dividends over the 25-year operating period. 95% of electricity produced will be sold to Thailand. This case study is a detailed account of the governance mechanisms put in place by the WB and the ADB to ensure compliance to the "strategic priorities" of the World Commission on Dams. Focus is in two areas: 1) mitigation measures to address negative environmental and social consequences, particularly for the relocated communities; and 2) extensive consultations with stakeholders for the period 1996-2003. The project, needless to say, is without its detractors. International NGOs, academics, and media have been at the forefront of a global campaign to bring public attention to the deleterious effects of this project, and to critique an overall development strategy premised on what they regard as environmentally-exploitative and socially-undesirable.

This particular case study provides an illustrative example of the role of public organisations in constituting markets in transition economies. In so doing, these organisations go beyond their traditional roles of providing project financing; rather, they perform risk mitigation roles that in turn provide the needed confidence to host governments and their private sector partners to undertake massive projects.

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

This paper describes an important new push taking place in development practice whereby international public organisations are directly and substantively broadening and deepening private sector activity in the underdeveloped world in ways well beyond Washington consensus structural adjustment or post-Washington consensus (PWC) forms of institutionally-oriented 'participatory neoliberalism'. Described here as the 'financialisation of development', this process – which dovetails neatly with the late PWC agenda – is attracting increasing resources that are formally allocated *around* states directly to private actors, yet which imply shifts in state form and function that relate to cultivating 'the right' business and investment climate. The International Finance Corporation – the World Bank's private sector arm – is at the vanguard of this process, bridging the 'public-private divide' as a public organisation that variously mobilises capital for a broad array of private projects, advises on regulatory reform and sector design and subjects countries to competitive ‘signalling’ benchmarks relating to ‘ideally-conceived’ investment/business environments. Avoiding many of the immediate difficulties (political and otherwise) that development organisations experienced with working *through the state*, this late-neoliberal approach works first and foremost with cultivating private sector activity *around the state*. However, evidence abounds to suggest that this new approach to ‘doing development’ comes with some major concerns, which range from issues of accountability and risk for domestic populations through to tenuous relationship with development as it is popularly understood. This paper describes the project that the likes of the IFC are involved in and presents several ‘mini cases’ – the IFC’s *Doing Business Report* series and its efforts to cultivate SME sectors in ‘frontier settings’, such as Timor Lesté, through financial intermediaries – in of the project in action.

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