CHAPTER II

POLITICAL ECONOMY OF PARTICIPATORY DEVELOPMENT: THE CHANGING PARADIGM
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The concept of participatory development acquired a new dimension and orientation in the context of the strategic shift in international political economy since the 1970s. The new-found role of participatory development and its evolving vocabulary have all been integrally linked with the fundamental transition in development strategy from Keynesianism to monetarism which has, of late, been identified as neoliberalism. It would be pertinent here to have a look at the changing paradigm of participatory development from a political economy perspective. This chapter focuses on how the process facilitated the transformation of the former Keynesian welfare agenda into the paradigm of participatory development as an adjunct of neoliberal globalisation.

Crisis and Collapse of Welfare State

The idea of the welfare state had evolved during the quarter century immediately after the Second World War. Keynesianism being the most important strand among the post-war development ideologies sought to legitimise government spending and creation of the welfare
The state-led approach to social and economic development— influenced by Keynesian economics and implemented through planning—went unchallenged until the 1970s, and was “exemplified in many ways in the programme of the World Bank. It was called into question, and then swept aside in the 1980s.”

The 1970s had often been characterised as a watershed in the evolution of the international political economy pertaining to development since this period witnessed the sudden demise of the “golden age” of the preceding decades. A quarter century of boom occasionally affected by localised recessions in the major capitalist countries had erupted into a violent inflation in the early 1970s. The global slump was unprecedented in its severity and duration. A

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2 John Harriss, *Depoliticizing Development: The World Bank and Social Capital* (New Delhi, 2001), p.78. As noted in the previous chapter, the Basic Needs Strategy espoused by the World Bank under Robert McNamara had been inseparably linked with the welfare functions of the Keynesian State. This does not mean that ideological conflicts were absent during this period. In fact, the World Bank has been keen on propagating the virtues of *laissez-faire* vis-à-vis state-led planned development. Even during the Keynesian era, as Amin puts it, “the Bank had the ideological function of counteracting the ‘ideology of planning’ by providing a counter ideology based on ‘project analysis.’” See Samir Amin, *Capitalism in the Age of Globalization: The Management of Contemporary Society* (Delhi, 1997), p.25.

3 See UNCTAD, *Trade and Development Report, 1995* (New York and Geneva, 1995), pp.123-24.” During the period 1950-73, output expanded by nearly 5 per cent per year and all the major industrial economies grew faster than they had ever done before. Output growth was accompanied by a considerable expansion of trade, particularly in manufactures. The period has, accordingly, been dubbed as ‘Golden Age’... This Golden Age ended around 1973.”
casualty of this crisis was Keynesian political economy. The real causes of this crisis – leading to the collapse of Keynesianism - may be located in the whole course of development of international political economy in the post-war period. In fact, Keynesianism had been put forward as an alternative economic strategy which called for the unhindered expansion of government expenditure through deficit financing and debt as the means to cure a situation of chronic depression in capitalist countries. Initiated as it was in the form of the ‘New Deal’ under Roosevelt in 1933, Keynesianism – comprising both the domestic economic management in diverse forms and the Bretton Woods international monetary system – flourished in the post-war years and firmly rooted in the political, economic and military hegemony of the United States. The apparent “booming economic activity” which prevailed at a global level during the two decades following the Second World War was financed out of the growth of American budget deficits and debt as per Keynesian prescriptions. Stimulated by the war-oriented economic efforts of the US

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6 Pilling, n.1, p. 138.

7 Kurien, n.5, pp. 48-50.

8 Ibid., p. 48.
administration and later by the Marshall Plan, and in the absence of competition from rival capitalist powers, this 'international Keynesianism' under American hegemony fared well during the initial years. However, as the economies of Western Europe and Japan began to recover in the late 1940s through the 1960s, the United States found itself increasingly challenged by mature capitalist powers each with its own specific interests in world economy and politics. In fact, symptoms of the crisis were visible in the early 1960s itself. The British economist Andrew Shonfield commented that it was a paradox that Britain and the United States which had readily absorbed the Keynesian message "were also the least successful among the Western capitalist countries in managing their economies after the Second World War." In the United States and, to a lesser degree in other capitalist countries, economic growth rate went down than that of all combined debt liabilities since the late 1960s. In the specific case of the US, the inflationary pressures arising from unprecedented monetary expansion warranted financing military

9 Named after the then US Secretary of State George Marshall, the Marshall Plan or European Recovery Programme aimed at reconstructing the war-torn capitalist economies of Europe under the umbrella of American capital. See Pilling, n.1, pp. 14, 20, 25.

10 Ibid., pp. 133-158.


12 Shonfield, n.5, pp 64-65. It is very revealing to note that the neoliberal monetarist policies as exemplified through Thatcherism and Reaganomics also appeared first in Britain and US respectively in the late 1970s and early 1980s.

13 Pilling, n.1, p. 155.
expenditures, and superpower commitments had been reaching an unsustainable level by the 1970s. The US budget deficits and debts could no longer be justified by the growth of productive sectors there. The subsequent efforts at monetary regulation – increasing of interest rates and restriction of money supply to curb inflation – further slowed down economic activity,\textsuperscript{14} leading to retrogression in agriculture, decline in industry, contraction in international trade, phenomenal growth in unemployment, etc. According to Pilling, "Near-rampant inflation in the 1970s combined with a collapse of industrial production and employment in many ways surpassing the decline in the period after 1929 defy the central logic of Keynesianism where such things are not supposed to happen simultaneously."\textsuperscript{15} This crisis in real economy also gave rise to a crisis in economic theory. This combination of inflation and industrial recession turned out to be a new phenomenon, "the explanation of which presents an intellectual challenge to economists."\textsuperscript{16} Later, economists began to call this new phenomenon as "stagflation."\textsuperscript{17}

\textsuperscript{14} Kurien, n.5, pp. ix-x.

\textsuperscript{15} Pilling, n.1, p.6.


The economic crisis and the failure of Keynesian prescriptions to cure it also had other political ramifications with far-reaching consequences. The stagflation of the 1970s not only “shattered people’s faith in the allegedly crisis-free” welfare capitalism, but also provided the context where the “ideology of social partnership between capital and labour was no longer as deep-rooted as before.”

The Keynesian welfare state that developed under a diversity of national systems has been, as Ginsburg puts it, “driven by the mission of combining capitalist economic efficiency with social and national cohesion. It recognises the primacy of social class divisions within the social structure and its corporatist political basis is the solidarity between the social partners, the representative arrangements of capital and labour.”

According to him, the welfare state “reached its peak during the cold war as a counter to the apparently socialist regimes” and “as a conservative response to socialist agitation.”

According to Amin, “it was the fear of communism and the radicalisation of the national liberation movements of the peripheries that gave rise to the Keynesian policies and development support of

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20 Ibid.
the post-war period."\textsuperscript{21} He also sees a "characteristic social contract between capital and labour"\textsuperscript{22} in the welfare state thus created. However, this broad social consensus on welfare was no longer sustainable in the context of the economic crisis explained above. The result has been the ending of the welfare state together with a rollback of the political and economic advances of the preceding golden age.

In fact, the crisis of the 1970s provided the context for the emergence of several of political and ideological trends\textsuperscript{23} which competed each other in challenging and breaking up the post-war consensus on welfare. Characterising the growing public expenditures as the root cause of the fiscal crisis, the New Right in advanced countries came forward denouncing the profligacy of public spending and proclaimed the virtues of privatisation of social services. Criticism of the paternalistic and bureaucratic character of the welfare state, which perpetuated inefficiencies, was also very strong.\textsuperscript{24} In fact, as Leonard

\textsuperscript{21} Amin, n.2, p.42.

\textsuperscript{22} Ibid p.113.

\textsuperscript{23} See, for instance, John Clarke, et al., Ideologies of Welfare: From Dreams to Disillusion (London, 1987).

\textsuperscript{24} Ibid., p.11. The argument that social spending is the cause of the crisis is debatable. For instance, Pilling says: "That capitalism is no longer able to finance an adequate welfare state, and is in fact driven to make severe cuts in this area, indicates not that spending on the welfare state is the cause of the crisis but signifies that capitalism can no longer provide the basic requirements ... for the millions who are, after all the most decisive element in the productive forces. The roots of this inability are to be found not in the national economy and its malfunctioning but are international in character..." See Pilling, n.1, p.131.
says, the political controversy between the “New Right” who rejected all welfare spending and the “conservative welfarists” who stood for state intervention has been settled in favour of the former.\textsuperscript{25} This also marked a transformation of the international capitalist economy towards a new stage of development. As Foster says:

It is not capitalism’s relentless destruction of all that stands outside its logic – that is, the extreme universalisation of the market – that constitutes an anomaly, but rather what was once thought of as ‘great transformation’: the mixed economy, Keynesianism, the welfare state and above all the idea of ‘capitalism with a human face.’\textsuperscript{26}

The collapse of the welfare state and the heavy cut-backs in public expenditures on social services have several implications for the Third World. Under Keynesianism, social welfare was, for all intents and purposes, synonymous with state-led national development. This unified approach of treating social and economic development as two sides of the same coin was well reflected in the programme of the Second UN Development Decade.\textsuperscript{27} In fact, “the rise and


universalisation of national development”28 had been inseparably linked with the international Keynesianism of the post-war years. Berger says: “In the late colonial and early Cold War era, the idea of development as national development was universalised in the context of the establishment of the UN and the increasingly global reach of the nation-state system.”29 Implicit in this was the central role of the state in development which was almost ubiquitously accepted in development theories and by international aid donors until the late 1970s. According to Schuurman, this reached its zenith in the post-World War II phase of constructing the welfare state in the western industrial world, an idea which was subsequently exported to the Third World.”30

In the Third World, the articulation of this perspective in political economy found its most powerful expression in the ‘Bandung Project’ which gave shape to the goal of modernisation and industrialisation under the umbrella of Non-Aligned Movement(NAM).31 As noted by

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29 Ibid., p.215.


31 The term ‘Bandung Project’ was coined by Samir Amin to refer to what he calls “national bourgeois construction at the periphery of the system as the ideology of development.” See Amin, n.2, p.17.
Amin, "from 1955 to 1975, the UN institutions carried out essential political and ideological functions for the Bandung Project of Third World countries." The formation of United Nations Conference on Trade and Development (UNCTAD) in 1964 is often considered as a milestone in these UN-led efforts to assist Less Developed Countries (LDCs) in achieving accelerated development. The UN declarations and resolutions, including the proposals for a New International Economic Order (NIEO) which appeared in the mid-1970s saw the consolidation of the important social and economic content of the Second UN Development Decade. However, the decline of Keynesianism in the 1970s brought to an end the short-lived social development and welfare initiatives of the UN Development Decade, including the Bandung Project, since such efforts were "considered excessively nationalistic, and for that reason incompatible with the imperatives of globalisation." And the development optimism

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32 Ibid, p.23.

33 Among the series of historic UN resolutions dealing with the interests of the Third World, three are most remarkable. They are: (i) the Declaration and Action Programme on the Establishment of a New International Economic Order (UN General Assembly Resolutions 3201(S-VI) and 3202(S-VI) of May 1, 1974); (ii) the Charter of Economic Rights and Duties of States (UN General Assembly Resolution 3281 (XXIX, December 12, 1976); and (iii) the Resolution of the Seventh Special Session of the UN General Assembly on Economic Cooperation in November 1975.

34 Amin, n.2, p.142.
associated with the Development Decade of the 1970s was to give way to an intense pessimism of the “lost decade” of 1980s.

Transition to Monetarism or Neoliberalism

The persisting stagflation of the 1970s prompted the conservative defenders of free market to vehemently attack the bureaucratic inefficiency and fiscal profligacy of the “Keynesian state.” They proposed “the moral superiority of individual choice” and the economic advantages of unfettered privatisation in the place of “the tyranny of collective decision making.” Concerted efforts were made, as Davison Budhoo, a former official of the World Bank and the IMF says, “to replace all development theory” with “Reaganomics and Chicago school monetarism” and to turn “post-war development economics on its head.” Looking at the prevailing trends, Singer saw a clear-cut transition of “the dominant macro-economic paradigm from the Keynesian consensus of the Golden Years to a sharply

35 See Japan International Cooperation Agency (JICA), *Participatory Development and Good Governance: Report of the Aid Study Committee* (Tokyo, 1995), p.2. The term “lost decade” refers to the 1980s during which the Fund-Bank sponsored structural adjustment programmes (SAPs) resulted in impossible levels of indebtedness for the Third World countries, several of the them falling into what is called the debt trap. For a Third World critique of the debt crisis, see Susan George, *A Fate Worse than Debt: The World Financial Crisis and the Poor* (Delhi, 1990).

36 See Leonard, n.25, p.4.

37 Davison L. Budhoo, *Enough is Enough* (Delhi, 1990), p.97. The book is a collection of the six part ‘Open Letter of Resignation’ addressed to the Managing Director of IMF by Budhoo who had been a senior official and economist first in the World Bank and then in the IMF as its Consultant and Resident Representative in the Third World.
monetarist and neoclassical type." In fact, this New Right redefinition of political economy which has set aside all the post-war faith in the principles of welfare state is often referred to as neoliberalism. To quote McChesney:

Neoliberalism is the defining political economic paradigm of our time — it refers to the policies and processes whereby a relative handful of private interests are permitted to control as much as possible of social life in order to maximise their personal profit. Associated initially with Reagan and Thatcher, neoliberalism has for the past two decades been the dominant global economic trend adopted by political parties of the centre, much of the traditional left, and the right. These parties and the policies they enact represent the immediate interests of extremely wealthy investors and less than one thousand large corporations.39

In accordance with the interests of the dominant actors in the international economy, i.e., the multinational corporations (MNCs) and transnational corporations (TNCs), the situation in the late 1970s demanded a shift from the emphasis on national development to globalisation, which is a heterogeneous and multifaceted process of


political, social and cultural change that is conditioned, but not
determined by processes of financial deregulation, trade liberalisation
and privatisation, in which the state plays an increasingly important
globalising rather than its earlier ostensibly national development
role.40 Thus “globalisation and liberalisation”, argues Kurien, “are the
slogans of the MNCs which require freedom to operate at a global
level.”41

Since the early 1980s, structural adjustment programme (SAP) has
been under way to bring the Third World countries within the orbit of
globalisation. It is also a recognised fact that under pressure from
crisis–ridden domestic companies, the Reagan and Thatcher
governments took the lead in directing IMF and World Bank to
encourage financial deregulation, trade liberalisation and privatisation
of public sector in the Third World through SAP. According to McLeod:
Along with the World Bank, the IMF has been playing a crucial role in
the reorganisation of global production. Through the rigid
implementation of structural adjustment policies, these agencies
sought to ensure that the governments of countries that were to get
IMF and World Bank loans “become faithful adherents to the

40 Berger, n.28, p.223.
41 Kurien, n.5, p.x
philosophy of monetarism." Budhoo is more emphatic in his criticism:

For us the term 'structural adjustment' conveys a politically inspired ploy, as against an economic concept that can be measured and evaluated in relation to some criterion of economic efficiency and optimal resource use by the recipient. More specifically, when we talk of 'structural adjustment' we have nothing else in mind but an irresistible motivation to implement, in every country of the South, the following political agenda: to call an immediate and complete stop to economic policies that can be interpreted as being in the slightest degree 'socialist' or 'populist' or 'people oriented' or weighted, however slightly, in favour of the poor and economically underprivileged, or based on the collective social consensus of the population concerned. All such policies, if they exist, must be summarily scratched, and substituted forthwith with the type of Reaganite free-wheeling capitalism that is so comprehensively built into our 12 or 18 month stand-by arrangements, and our 3 year SAF and ESAF.

Inasmuch as monetarist policies were never intended to create sustained national development, the immediate outcome of the SAP has been the deepening crisis of debt in the Third World countries.

43 Ibid., p.105.
The Latin American countries saw the beginning of this in the early 1980s and the internationalisation of debt or the 'debt crisis' had become the most critical issue thereafter.\textsuperscript{44} The conditionalities and the repayment obligations, which accompany every structural adjustment facility (SAF) or enhanced structural adjustment facility (ESAF), granted by international financial institutions (IFIs) have pushed the Third World into a vicious circle of debt trap. The exposition of the Latin American scenario by Petras and Veltmeyer\textsuperscript{45} is equally relevant to the Afro-Asian countries too:

The 1980s were dubbed 'the lost decade' as international banks drained the regional economy through massive transfers of debt payments and the first wave of takeovers and privatisation. Renegotiated debts and new loans were conditioned on economic policies which weakened the production system and undercut employment and public investment in infrastructure. The 'conditionalities' imposed by the IFIs further opened up economies in the region to a flood of cheap imports and loosened controls over capital flows. The result has been a short-term boom

\textsuperscript{44} For making available information on the 'heavily indebted poor countries' (HIPC) the World Bank has initiated a website of its own. See www.worldbank.org/hipc. Started since early 1980s when SAP began, the debt crisis still continues to be one of the crucial issues in international economy. "The most prominent issue in development cooperation at the end of the 20th century and the beginning of the 21st has been debt relief for the poorest countries. There has been a steady increase over two decades in the indebtedness of a group of poor countries now referred to as the heavily indebted poor countries." The World Bank, \textit{World Development Report 2000/2001: Attacking Poverty} (Washington, D.C., 2000), p.200.

in speculative portfolio investments, a weakening of state leverage over strategic sectors of the economy, and a greater dependence on the imperial centers of overseas capital."  

In her exhaustive study on the debt problem of the 1980s, Susan George says: "The debt crisis is a symptom – one among many – of an increasingly polarised world organised for the benefit of a minority that will stop at nothing to maintain and strengthen its control and its privilege." Obviously, neoliberal globalisation pushes the Third World more into a state of further marginalisation and poverty.

New Orientation to Participatory Development

The immediate casualty of the unprecedented crisis and the collapse of Keynesian political economy during the 1970s has been the welfare state. When Thatcherism and Reaganomics reemerged in the Third World through SAP and globalisation in the early 1980s, the rationale of the economic reform package that came with them was characterised by the thrust towards trade liberalisation, privatisation, debt settlement and, above all, relinquishing the role of the state as

46 Ibid., p.36.
47 George, n.35. p.271.
the provider of a wide range of services. Fully backed by the then prevailing "anti-Keynesian rhetoric," the international institutions and donor agencies tended to ignore the social development visions envisaged by the Second UN Development Decade. Together with this system of simultaneous targeting of social welfare and economic growth, the approach to Third World development envisioned even by the top-down initiatives of the preceding decades also vanished from the agenda of international agencies. The rapid withdrawal of the state from welfare provisions compelled even an official donor agency to comment that "one of the problems caused directly by the structural adjustment program was setbacks, albeit temporary, in welfare services for the poor as a result of cutbacks in subsidies and spending on social services." When the socio-economic situation in the Third World began to deteriorate further, the Brandt Commission was appointed, which Susan George characterised as "at the behest of the World Bank." However, it has been argued that the Commission tried to lay the ultimate onus of poverty alleviation

49 See UNCTAD, n.3, p.190.

50 JICA, n.35, p.4.

51 The Commission, appointed under the chairmanship of Willy Brandt, was entrusted with the task of suggesting plausible ways to alleviate debt and poverty of the Third World. The Brandt Report recommended, among other things, measures for revamping growth through a process of trickle-down from the developed North to the underdeveloped South. See the Brandt Commission, Common Crisis (London, 1983), p.62.

52 Susan George says that the Brandt Report was very much influenced by the World Bank. See George, n.35, p.268. Amin is also critical of the neoliberal interests in the Brandt Report. See Amin, n.2, p.72.
and debt redemption "on the shoulders of the weakest partners – the peripheries of the South and the East."53

This has been the context in which international agencies such as the World Bank and USAID54 began to reorient the concept of participatory development as an effective alternative to the concerns of welfare state. In fact, a 1987 World Bank study55 clearly indicated the Bank’s specific interest in the large-scale incorporation of people's participation in project implementation since the early 1980s. The evolution of the ideals of "good governance and participatory development" as adjuncts of neoliberal programmes can also be traced to this period.56 The ideals of "good governance and participatory development," it has been argued, are essential ingredients of SAP in order to achieve fair and efficient use of development funds which was impeded by systemic government corruption and lack of transparency in the policy-making process, to keep the poor in mind when granting structural adjustment financing, to lower the social costs of adjustment and, above all, to create the conditions required for the

53 See ibid.

54 Information on World Bank’s global efforts to encourage participatory development is available from the website, www-esd.worldbank.org/. Two USAID websites www.usaid.gov/about/partdevel/ and www.usaid.gov/contacts.htm show that the USAID has been actively involved in evolving the theory and practice of participatory development since the 1970s.


56 For details, see JICA, n.35, pp 4-5.
promotion of the private sector. In a similar vein, the USAID also could be seen "engaged in creating a capacity in development agencies to work in a participatory mode" with local and grassroots initiatives. As a study puts it, "The euphoric word participation has become a part of the development jargon. No respectable project cannot use this word now, nor can it get funded without some provision for the participation of the people." Focusing on the orientation of "good governance" in the changed context, Schuurman also writes: "Good Governance now a days is no longer associated with the old image of a welfare state but with new forms of local synergy between economic, political and cultural actors." Numerous postmodern and post-Marxist anti-state ideological discourses also affirm the virtues of localism, fragmentation and difference. According to Seethi:

The 'alternative strategies' superimposed on many third world countries, and being experimented in a wide variety

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60 Schuurman, n 30, p.16.

of forms under the pet themes such as 'participatory development,' 'grass root democracy,' 'decentralisation,' 'people's planning,' 'citizens' initiatives,' 'local level development,' 'civil society engagement,' etc. provide significant insights into the complex linkages between neoliberalism and the postmodern mapping of the world.  

Leonard says: “the postmodern emphasis on difference and its accompanying disillusionment with ‘big state’ solutions to social problems leads to a focus on the liberatory potential for local, small scale forms of welfare – community based advocacy and consumer controlled projects and agencies.” He continues:

This new discourse on welfare aims to reduce drastically state social expenditures, establish residual lower cost forms of welfare, fragment opposition and divide sites of resistance, all in the name of local diversity and control. The ‘Higher Good’ espoused by this right-wing discourse is that leaner models of welfare using minimal state resources serve ultimately to improve a country’s competitiveness in the global market through reducing corporate taxation, increasing the rate of return on capital, reducing labour costs and returning to the

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63 Leonard, n.25, p.xii.
traditional virtues of family cohesiveness and hard work.\textsuperscript{64}

Leonard says that in the post-Keynesian scenario, this neoliberal welfare agenda is being embraced not only by the 'neoconservatives' but also by "the parties traditionally of the centre and left of centre." Thus, the advocates of the new participatory discourse, as noted by North and Cameron, "now span the entire ideological spectrum from right to left. Both World Bank-associated technocrats and disenchanted Marxists have turned to 'small is beautiful' schools of thought."\textsuperscript{65}

In line with the requirements of globalisation and to refashion and strengthen the global participatory efforts, the World Bank took the lead by establishing the NGO-World Bank Committee in 1982.\textsuperscript{66} As the problems generated by neoliberal SAPs became highly visible in

\textsuperscript{64} Ibid.


\textsuperscript{66} Bhuvan Bhatnagar and Aubrey C. Williams, "Introduction," in Bhuvan Bhatnagar and Aubrey C. Williams (eds.), \textit{Participatory Development and the World Bank: The World Bank Discussion Papers No.183} (Washington, D.C., 1992), p.10. These discussion papers were the outcome of an international workshop on participatory development held in Washington, D.C. on February 26 and 27, 1992. The 80 participants attended the workshop included delegates from various international funding agencies and global NGOs. Since the early 1980s the World Bank has been coordinating the global operations of several international donor agencies in the realm of participatory development. They include, the International Fund for Agricultural Development (IFAD), Food and Agricultural Organisation (FAO), Development Assistance Committee (DAC) of Organisation for Economic Cooperation and Development (OECD), Asian Development Bank (ADB), Swedish International Development Authority (SIDA), United Nations Children’s Emergency Fund (UNICEF), United Nations Development Programme (UNDP) and, above all, United States Agency for International Development (USAID). For details, see Ibid., pp.2-3.
the 1980s, the World Bank and other donor agencies began to channel funds for social compensation programmes through NGOs bypassing the state agencies. Backed by the slogan of "good governance," and arguing for a "participatory democracy" based on action groups rather than a representative model of democracy, and citing the discredited nature of governmental agencies on account of their all-pervasive corruption, this new emphasis given to NGOs for propagating the virtues of participatory development also aimed at achieving legitimacy for the neoliberal paradigm. Baviskar says: "The rise of NGOs is the central process in the sphere of development since the 1980s. This period also coincides with the demise of developmentalism as a project of the nation state and the rise of post-developmentalist neoliberal political economy." Analysing the anti-state undertones of NGO-led people's participation, he observes:

The growing prominence of NGOs in the field of development is strongly related to the declining legitimacy of the state. 'Good governance' is believed now to consist of two functions: facilitating the free play of market forces, and enabling decentralised institutions of

67 See Clarke et al., n. 23, p.180. The observation of the Japan International Cooperation Agency is striking. It says: "A problematic or controversial aspect of participation has emerged in recent years as the result of a spreading awareness that party politics is waning and that parliaments have lost their original functions of representation." JICA, n.35, p.7.

'participatory management' to be formed. Participatory management is the new mantra for the provision of services through local municipalities and panchayats, as well as in the sphere of natural resource management.69

This new trend in development thinking and practice initiated by the World Bank had its echo from other quarters too. For instance, an ADB-sponsored study argued for "a self-enforcing governance structure" that would reduce collective action problems, directly involve "social groups and subnational governments into political decision making process," and create "the political foundations of economic growth."70 Implicit in this analysis is the negation of the leading role of the state in developmental activities in favour of action groups and NGOs. This trend in the 1980s can be seen in its extreme form in NGO theorists like Korten who strongly propose a "de-development" process to erase even the remnants of the erstwhile welfare state now characterised as "cowboy economics."71 Korten says: "The 1980s saw a growing rejection of the myth that government

69 Ibid., p.7.


71 Korten, n.58, pp. 37-40.
is the sole legitimate agent for development decision making and the management of development of resources."\(^72\)

It would be pertinent here to analyse the structural foundations of neoliberal political economy in order to grasp the complex linkages between globalisation of the economy, on the one hand, and localisation and fragmentation of welfare on the other.\(^73\) By the 1970s, the world witnessed a fundamental restructuring of the material basis of the nation-centered production leading to a new international division of labour, which weakened the collective bargaining power of labour and fragmented universalised welfare provision including a conceptual shift in participatory development. This transformation has been brought about by the advent of new technologies resulting in a decentralisation of work and transnationalisation of production, now labeled as post-Fordism.

Post-Fordism and the Conceptual Shift in Participation

The basis of the welfare state which emerged during Keynesian 'golden age' had often been characterised as ‘Fordism’\(^74\) - as typified

\(^72\) Ibid., p.28.

\(^73\) See Anthony Giddens, *The Consequences of Modernity* (Cambridge, 1990). Giddens visualises globalisation as "a dialectical process; local transformation is as much an element of globalisation as the lateral extension of social relations across space and time." p.64.

\(^74\) See Amin, n.2, p.113.
by the centralised, standardised and mass production techniques based upon a high division of labour, hierarchical factory discipline, centralised wage bargaining and standardised and nationwide forms of welfare. The crisis of the 1970s was also a reflection of the economic limits reached by the Fordist mode of production, many argued. Consequently, new approaches called post-Fordism emerged in response to the crisis. The post-Fordist mode of production and regulation are manifested in accelerated innovation, high variety of products, market diversification and 'nicheing', flat hierarchy and lateral communication in work place, autonomous profit centres, network systems and outsourcing, divided workforce and localised bargaining, pluralist class formations and fragmented political interests, consumerisation of welfare, new social movements, regional diversification, and so on. The most striking feature of post-Fordism is flexible specialisation of workforce which enabled MNCs to respond rapidly to the fluctuating demand in new niche markets with a wide range of goods. The post-Fordist developments are made possible by the emergence of new technologies relating to transportation, communication and information which rendered industrial location


77 See Rustin, n.75, pp. 55-78.
and control over production as well as business organisation increasingly less dependent on geographic distances. Along with this, the development and refinement of new production and processing technologies capable of a multi-stage decomposition of production have also made it possible to transplant different stages of production to remote global destinations even using unskilled labourers who could easily be trained to perform otherwise complex operations. With a new regimentation and regulation of labour force in advanced countries, the new developments in technologies and business organisation enabled international capital to effectively tap the almost inexhaustible supply of labour in backward countries who is compelled to sell itself at the lowest wages. All these transformations, taken together, have fundamentally changed the conditions of global production and market expansion. Thus, post-Fordism provided the context for reinventing and reorganising capitalism through globalisation after the economic shocks of the 1970s.

The post-Fordist trends in political economy have inspired some writers to theorise on what has been called a ‘post-industrialisation’ of society which, in essence, means an expansion of the service sector at the expense of industry. “Postindustrialism” writes Carter, “is a

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loose coalition of ideas and shares some of the assumptions of the post-Fordist case." Its origins can be traced to Daniel Bell's work, the key premise of which is a historical transformation in capitalism from an industrial to a post-industrial or information society. The restructuring forces unleashed by post-industrialism are expected to instill dynamism and innovation to the lethargy and bureaucratic inefficiency of the industrial society. Seeing post-industrialism as synonymous with post-Fordism, Block moves on to argue that post-industrial transformation not only creates a flexible specialisation on the shop floor but also engenders a flexible specialisation in one's life course. He elaborates this restructuring process thus:

The patterns of social life consolidated... after twenties and thirties continued to organise people's lives around measured labour time, the basis of the old productive forces.... All aspects of this organisation of social life have been undermined by the progressive emergence of new productive forces over the past fifty years.

79 Carter, n.19, p.10.
80 Daniel Bell, The Coming of Post-Industrial Society (New York, 1973). Bell is not specific in linking his views on post-industrial society with postmodernism. But in his later work, a clear shift to postmodernism is visible. For instance, he says, "We stand, I believe, with a clearing ahead of us. The exhaustion of modernism, the aridity of communist life, the tedium of the unrestrained self, and the meaninglessness of the monolithic political chants, all indicate that a long era is coming to an end." Daniel Bell, The Cultural Contradictions of Capitalism (New York, 1996), p.xxix.
82 Ibid., p.109.
He sees an increased reliance on ‘non-state actors’ and ‘renewal of citizen participation’ in the ‘regulation of social life’ in the ‘post-bureaucratic state.’ More or less similar views are held by Osborne who finds an urgent task “to develop community based approaches to social and economic problems” in a regime of flexible specialisation. Postindustrial transformations and new technologies “require a more participatory and non-hierarchical form of work-arrangement.” They also call for the search on “non-bureaucratic solutions” or the creation of “third-sector organisations” for solving people’s needs. Osborne characterises these experiments in the “laboratories of democracy” as part of an “emerging political paradigm.”

Thus, the logical outcome of these developments in political economy on social policy and welfare has been the reversal of Keynesian welfare state. Ginsburg says:

Theorists of post-industrialism and post-Fordism note that the standard employment contract is disappearing and that paid employment in the future will be casualised

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83 Ibid., p.32.


85 Ibid., pp.319-327. It is revealing to note that the critics of neoliberalism also find the same trend, though from another angle. For instance, Petras and Veltmeyer say: “The accommodation of ‘third sector’ or popular organisations to the interests and policies of the imperial state is described as ‘good governance’ or the ‘strengthening of civil society,’ a critical factor in the economic development process.” See n.45, p.36.
and intermittent, with short-term, temporary contracts and flextime contracts the norm. Family structures also appear to be diversifying quite rapidly with the growth of social monogamy, absent fatherhood, single motherhood and childlessness. Caring responsibilities and obligations are negotiated individually within these structures, often without much support from the state... In the era of postmodernity, the nation state is no longer at the centre of social policy making and delivery.86

He characterises the post-Fordist welfare approach as "neo-voluntarism"87 based on NGOs and new social movements (NSMs). Identifying the new trends with the "end of organised capitalism," Lash and Urry88 visualise that the disaggregation of capitalist organisation and the advent of flexible specialisation and decentralisation of industrial relations have led to the dismantling of the welfare state and emergence of new social movement politics. This view is upheld by Cochrane too, who finds a shift in the former state led community initiatives of welfare to the "new world of local

86 Ginsburg, n.19, p.268.
87 Ibid., p.276. According to Til and Ross, this neo-voluntarist approach or the idea of a third sector or non-profit sector composed of NGOs and NSMs as an alternative to the welfare state is a "fundamentally Reaganite vision." See Jon Van Til and Steven W.Ross, "Looking Backward: Twentieth Century Themes in Charity, Voluntarism and the Third Sector," Nonprofit and Voluntary Sector Quarterly, Vol.XXX, No.1, 2001, p.119.
politics" in the context of post-Fordist developments. Picking up ideas such as participation and empowerment, and highlighting the process of localisation in the context of the break-up of the universalisation of welfare, he also envisions the notion of 'citizen consumer' which links citizenship with market-based approaches to local service delivery, ultimately redefining the centrality of governments in welfare provision. In brief, the new technologies and the consequent participatory and non-hierarchical form of work arrangement have led to a localisation and consumerisation of social welfare.

The apparently causal connection between post-Fordist flexible specialisation and business management, on the one hand, and localisation and participation, on the other, has been deeply explored by Robert Chambers, the doyen of PRA which is the methodology of participatory development. In his perception, the decentralisation and flexibility in both work and business management have imparted a "paradigmatic significance" to the concept of participatory development itself. Focusing on the impact of flexible specialisation on

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90 Ibid., pp. 252-266.

people's empowerment and participatory development in "a world turned upside down" by new technologies, he elucidates:

It has been the discipline of the market and opportunities from new technology which have driven and drawn business management to decentralised flexibility, to diversification, and to finding and exploiting transient niche markets. For PRA and related approaches, the discipline is what works with people and communities and the opportunities of the new approaches and methods, which drive and draw. In both business management and PRA, value is based on decentralisation, sharing knowledge, empowerment, diversity, and rapid change and feedback. So it is that the philosophy and approaches of PRA can be seen as one expression of a wider paradigm for effective action in the contemporary world.92

Thus the argument is that the evolution of new technologies of production and methodologies of organising people has made the centrality of class divisions and hence collectivising welfare measures redundant in the new political and economic landscape. According to Chambers, "the emergent paradigm for human living on and with the earth brings together decentralisation, democracy and diversity. What is local, and what is different, is valued. In this paradigm, the trends

92 Ibid., p.49.
towards centralisation, authoritarianism and homogenisation are reversed.\textsuperscript{93}

**Linkages between Neoliberalism and Participatory Development**

In response to the ever-growing needs of globalisation and based on the new welfare formulations arising out of post-Fordist restructuring in political economy, as outlined above, the neoliberal centres\textsuperscript{94} could be seen actively engaged in further refining the concept of participatory development since mid-1980s. The OECD, for instance, while declaring its social policy exhibited some innovative thinking that has been particularly suited to the anti-state discourse on welfare which was gaining momentum during this period. It stresses the disappearance of political ideas and introduced new concepts expressing a movement away from 'politics' to 'market' 'administration' to 'management', 'client orientation' to 'customer orientation' and mentioned the focus of new politics as concerned with 'choosing what services to deliver' rather than 'how to deliver'

\textsuperscript{93} Ibid., p.50.

them. In fact, this market orientation in the provision of social services could be more explicit in DAC’s (Development Assistance Committee of OECD) overseas aid programmes where it holds the market in high esteem as a facilitator of people’s participation, and moves along with the World Bank in conceptualising ‘good governance’ and participatory development. Here it would be relevant to discuss what the JICA (Japan International Cooperation Agency), which is a donor member in DAC, says:

The market operates on a decentralised basis, with each agent making its own decisions. The market is in this sense by nature a form of participation promoter. In so far as the process of determining economic actions is left to individual economic agents, and in so far as economic (liberalisation) policies such as (liberalisation) of foreign trade and domestic deregulation weaken oligopolies and reduce vested interests’ rent seeking, they encourage more economic agents to participate through market mechanisms. In this sense, the transition to a market economy and the trend toward economic liberalisation are valuable as steps to ensure broader participation.

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95 OECD, n.94, p.97.
97 JICA, n.35, p.7.
In fact, the World Bank’s involvement in participatory development is a complex and long drawn out process than is generally understood. From the very beginning, almost all World Bank-aided projects - in irrigation, forestry, livestock, urban development, rural water supply, population control, health care, etc. - had been incorporating some form of people’s participation or community involvement as a condition for their successful implementation. Since the 1980s, when market-based principles and consumer-oriented approaches are extended to the realm of welfare too, contribution by stakeholders who participate in projects so as to enable implementation agencies to recover either a part or full of the costs of such projects also has become the norm. In other words, “cost-recovery” and the required stakeholder participation have become essential components of SAPs in the 1980s. To quote the Bank:

Participation is most critical to success in projects that depend on cost recovery or that may entail changes in the poor’s behaviour. For cost-recovery, individuals, households, groups and communities are likely to have a stake in, contribute to, and maintain projects that respond to their needs, knowledge and initiative.

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99 Ibid., p.166.
To facilitate this trend and to focus on ways to make its “operational practices more supportive of participatory approaches,” and “to strengthen Bank’s understanding and use of popular participation,” a Learning Group comprising 15 senior Bank staff has been working within the World Bank.\(^\text{100}\)

However, the conceptual or paradigmatic shift in participatory development has become more pronounced in the context of a strategic shift in World Bank funding itself in the neoliberal phase. Since the launching of its SAPs in the Third World in the 1980s, the World Bank has been increasingly devoted to the now-famous “country” or “program” approach to funding as distinct from the so-called “project approach” which was predominant till the 1970s.\(^\text{101}\)

Under the project approach, the aid relationship between the World Bank and the recipient country is predominantly technical in nature while the fundamental questions concerning the political and economic orientations of the country are comparatively insulated from Bank’s philosophy. On the other hand, the country programming

\(^{100}\) Ibid., p.167; also see the World Bank, n.66, pp. 1-2.

\(^{101}\) Budhoo sees this shift from “project approach” to “country approach” in relation to “the emergence in 1981 of Bank/Fund cross-conditionality in resource transfer (in the form of a requirement of the Fund that the Bank must endorse the total investment program of certain developing member countries as a condition for eligibility for use of Fund resources for structural adjustment) and the virtual convergence in 1986 of structural adjustment lending conditionality with that of the Fund.” For details, see Budhoo, n.37, pp. 90-94.
approach, which is preceded by World Bank "country economic studies" and followed by Bank's assessment on "country economic performance," usually involves a restructuring process by which the Fund-Bank combine goes into the very heart of the policy making apparatus of the loan recipient. It is also important to note that since the 1980s, in granting loans, whether for project or for programmes, the World Bank has been generally pursuing the country programming approach.\footnote{Ibid., pp. 90-92.} Reverting to the main theme of participatory development, parallel to the new dimensions in World Bank lending, there is an increasing recognition of the necessity not only of community participation in individual projects but also of widespread citizen participation in national development activities in recipient countries. This neoliberal conceptualisation of participatory development is aptly summed up by an official donor agency:

This broad participation involves the alleviation of poverty through economic, social, and political action; the cultivation of the private sector, and the cultivation of a society where people are able to dissent or lodge objections against their government. It has also become increasingly understood that the government should play a major role in building the organisational and physical infrastructure that makes this participation possible. Thus ...participation has undergone expansion from the
micro economic grass roots level to participation in politics, society, and the economy, but this should not be centered as mere expansion in scale; it is a shift in the very concept of participation.\textsuperscript{103}

The creation of "social funds" which "often constitute part of the safety net of a larger structural adjustment package"\textsuperscript{104} by the World Bank in the mid-1980s has contributed much in concretising this conceptual shift in the orientation of participatory development from the micro level to the macro terrain. The major objectives of social fund which "flexibly disburses small amounts to local governments, NGOs and community groups,"\textsuperscript{105} are downsizing government, contracting out of services at the local level or privatisation and, above all, achieving decentralisation and participation.\textsuperscript{106} Social funds are also considered as a "new model" of welfare provision which works better than traditional government-led provision of social services. The World Bank sees social funds as a participatory programme designed to protect the poor during a macro economic adjustment programme.

\textsuperscript{103} JICA, n.35, pp. 6-7.


\textsuperscript{105} See World Bank, n.66, p.24.

\textsuperscript{106} Tendler, n.104, p.224.
An example is the Bolivian Emergency Social Fund (ESF) created in December 1986 at the initiative of the World Bank. Often cited as one of the first "star social funds," the ESF in Bolivia aimed “to alleviate the social cost of a crisis brought on by poor macro-economic policies and to protect the poor during implementation of macro-economic (stabilisation) and adjustment programme began in late 1985.”

Devised as part of SAP in heavily indebted poor countries, the social funds functioned as effective tools in the hands of donor agencies to develop a self-helping and participatory service delivery mechanism quite independent of the governments there. This once again serves to underline the inevitable linkages between neoliberal policies and participatory development.

Sustainable Development and Participatory Development

The evolution of the concept of sustainable development in the late...

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108 Donors such as the World Bank, Inter-American Development Bank (IDB), and DAC spent close to $5 billion on social funds between mid-1980s and mid-1990s. See Tendler, n.104, p.223.

1980s has also provided a further impetus to the refinement of the concept of participatory development. The most comprehensive and authoritative definition of the concept is given by the UNDP:

Sustainable human development is development that not only generates economic growth but distributes its benefits equitably; that regenerates the environment rather than destroying it; that empowers people rather than marginalising them. It is development that gives priority to the poor, enlarging their choices and opportunities and providing for their participation in decisions that affect their lives. It is development that is pro-people, pro-nature, pro-job and pro-women.110

It is self-evident that this definition of sustainable development also overlaps much of the terrain covered by participatory development. The Human Development Report 1993 was entirely devoted to the strategy for promoting all-round people’s participation by strengthening various elements of civil society such as NGOs.111 Here the UNDP has been appealing for building up “participation” by closely involving people “in the economic, social, cultural and political process that affect their lives.”112 Besides the UNDP, the 1992 UN


112 Ibid., p.21.
Conference on Environment and Development also reiterated the significance of participation in achieving sustainable development. It emphasised the imperative for effective participation of all concerned citizens, indigenous people, local communities and women in sustainable development. Meanwhile, the UNDP proceeded further in the direction of evolving a new paradigm of development called "human security" by combining the concepts of participatory development and sustainable development as is evidenced in its efforts at the Copenhagen Summit. More of this, including how the World Bank sought to appropriate the Copenhagen Agenda would form part of the discussion in the next chapter.

However, as the advocates of sustainable development initially pleaded for institutional settings that could ensure local level citizen participation as a mode of political decision making, within no time, sustainable development became the catchword with those who were already in search of an alternative or people-centered development

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114 UNDP, n.110, pp.20-40. It defines 'human security' as a critical ingredient of participatory development.


117 See Brundtland Commission, n.109, pp. 49-52.
paradigm. For instance, arguing that "sustainable development in the 21st century will need to be achieved locally by thinking citizens," a UNICEF study even advocated "children's participation" in sustainable development. It says: "There is an urgent need to establish new kinds of organisations and ways of working with children that will enable them to play a central role at the local level in this revolutionary way of thinking about development." There are also studies directly linking the concept of sustainable development to the neoliberal requirements. Honalde and Vansant, for example, after identifying "local action" as "the key to sustainability," add further: "Development initiatives will not be sustained unless beneficiaries make some form of resource commitment to support those initiatives." Their vision on sustainable development is always circumscribed in an externally funded framework, as

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118 For instance, see Korten, n.58, p.124.


120 Ibid., p.193. Details are available in the website cited in n.113.

121 See, for instance, George Honalde and Jerry Vansant, Implementation for Sustainability - Lessons from Integrated Rural Development (West Hartford CT, 1985). More importantly, see World Bank, Sub-Saharan Africa:From Crisis to Sustainable Growth:A Long-Term Perspective Study (Washington D.C., 1989). Published by the World Bank, this study stresses that sustainable development in heavily indebted and least developed African countries is possible only through more effective implementation of structural adjustment and stabilisation policies. It highlights the insufficiency of economic infrastructure and lack of transparency and inadequacy in political decision process in these countries. The study also mentions the need for making market-friendly economic policies more social friendly through a regime of good governance and participatory development. This is perhaps the first important analytical study of the World Bank combining the concepts of participatory development and sustainable development.

122 See Honalde and Vansant, n.121, p.46.
according to them, “successful local organisations can play positive roles as vehicles for coordinating and spreading the benefits of outside assistance.”

With the growing awareness on the “contradiction between ecology and economy,” global NGOs began to reformulate the concept of participatory development on the basis of environmentally sound principles. Obviously, the ever-growing ecological consciousness since mid-1980s has been mainly due to the pioneering efforts made by global environmental NGOs and their domestic counterparts. At the same time, neoliberal centres have also been successful in keeping aloof the broader political economy behind the non-sustainable resource use by the developed countries from the mainstream agenda. As a reflection of this, the proportion of USAID funds channeled through NGOs increased from 19 per cent in 1985 to 33 per cent in 1994, as part of USAID efforts to involve NGOs “to encourage greater citizen participation” and “strengthen the

123 Ibid., p.47.

124 For a theoretical elaboration of this aspect, see Saral Sarkar, n.18, pp. 75-90.

foundation for democracy."\textsuperscript{126} Apparently, this is based on the understanding that unlike state agencies and official donors who are always "locked into a procedural and legislative straightjacket,"\textsuperscript{127} NGOs are better suited to carry out the participatory agenda, the final denouement of which is to unravel itself in the post-cold war phase in the 1990s, where the NGOs are acclaimed as the "crucial civil society actors" in the globalised world.\textsuperscript{128} To facilitate this process under the aegis of the global NGOs, the London Symposium\textsuperscript{129} and Manila Conference\textsuperscript{130} were held in the late 1980s with the call for a participatory or people-centered development which sought to

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126 USAID, et al., \textit{New Partnership in the Americas: The Spirit of Rio} (Washington D.C., 1994). Summing up its global participatory efforts, the USAID says: "Participation has a legitimizing effect on local institutions and organisations, which obtain information on donor agencies and their processes and which increase in stature as a result of the simple act of holding formal consultations with USAID. On the other side of the coin, USAID gains immeasurable respect and increases its own legitimacy by reaching out to diverse elements. Suspicion about it decreases and its credibility increases." See \url{www.usaid.gov/about/partdevell/}

127 See Korten, n.58, p.xiii.


130 The Manila Conference was sponsored jointly by the Asian NGO Coalition (ANGOC) Manila, and the Environmental Liaison Center International (ELCI), Nairobi, during June 6-10, 1989. NGO leaders from Africa, Southeast Asia, South Asia, the South Pacific, Latin America, the Caribbean, North America and Europe participated in the conference. For the statement of the conference, see ANGOC/ELCI, \textit{The Manila Declaration on People's Participation and Sustainable Development} (Manila, 1989).
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broaden people's participation, building from a base of civil society organisations, NGOs and local associations.\textsuperscript{131}

Thus, the foregoing analysis reveals that the growing importance of the concept of participatory development may be located in the political and economic transformations that have taken place since the collapse of Keynesianism in the 1970s. The paradigmatic shift in participatory development has been logically in accord with the strengthening neoliberal trends in political economy. As DAC sources put it, behind the conceptual shift in participatory development has been a "general trend" as "is evidenced by structural adjustment policies and economic reforms in China and Vietnam, and shifts to economic (liberalisation) and transitions to market economies after the fall of socialist regimes in the Soviet Union and Eastern Europe."\textsuperscript{132} More or less identical views are held by the World Bank too which epitomises the collapse of erstwhile socialist countries as the "brush fire of (democratisation) sweeping across... countries"\textsuperscript{133} and which brings immense opportunities at the doorstep of the Bank for participatory experiments. Evidently, this World Bank position is part of a well-thought out neoliberal strategy. Zbigniew Brzezinski,
former US Defence Secretary was reported to have commented on the fall of communist regimes as due to the lack of adequate people’s participation. Interpreting the turbulent late 1980s as the outcome of the absence of a civil society and the required participatory structures, he argued that “these countries have finally faced the fundamental contradiction between the regimentation of (bureaucratisation) of the Marxist state, and the participation and individual incentive required to advance a society beyond the phase of (industrialisation) in the more dynamic era of information-based technologies.”

Thus the concept of participatory development has emerged as the logical corollary of neoliberal political economy.

Nonetheless, political economy forms only one aspect of neoliberal globalisation which is essentially multi-dimensional in character. In fact, neoliberalism has its cultural logic too which often finds expression in the postmodern valorisation of civil society. More often, the neoliberal critique of the welfare state comes alongside the newfound affinity towards civil society and culture. It can also be seen that agencies such as the World Bank are seeing the growth of civil society as synonymous with market expansion. In this sense, the

134 Quoted in Korten, n.58, p.156. Korten identifies Gorbachev as “a leader who has made in- calculable contribution” toward creating a new global order based on a people-centered vision.
neoliberal formulation of participatory development is inseparably linked with the emerging cultural and ideological trends in contemporary society. The ensuing chapter seeks to analyse these linkages.