Over the last three and a half decades, multilateral development practice – the ideas and modalities operationalized by multilateral organizations in the name of development – has undergone important shifts propelled by the fraught context of neoliberalism and late capitalism. Multilateral organizations such as the World Bank Group, the Asian Development Bank (ADB) and the International Monetary Fund (IMF) have been central in both developing and contesting development practice and the role of the state in relation to both development and economic growth. Southeast Asia – a region of over 600 million people, the world’s third largest developing country (Indonesia), and large numbers of poor and marginal populations – has been at the forefront of innovations in the activities of multilateral development organizations (MDOs), while also being an important site of popular social protest and resistance to these innovations. It is also a region of increasing economic importance in global and regional value chains (production, assembly and services), attracting private investment capital as well as relatively large flows of official development assistance (ODA) (see Tables 6.1–6.4). This has made the region an important locale in terms of contestation and cooperation between governments, civil society and MDOs over the very nature of development practice.

This chapter focuses on the work of the most important MDOs – the World Bank Group (including the International Finance Corporation), the ADB and the IMF – in extending neoliberal policy agendas, from the 1980s on, into Southeast Asia in the name of development. I present a political economy of development approach that – drawing upon a tradition of thought that prioritizes competing interests (and in particular class interests) and ideologies in understanding particular institutional agendas and their outcomes (see for example Rodan et al. 2001) – seeks to explain the form of different phases of MDO activities in the region. I argue that MDO activities in Southeast Asia over the last three and a half decades reflect a combination of the ideological shifts in development policy that have emanated from MDO headquarters in Washington and Manila – often in response to emergent contradictions and conflict over and around policy – and the relative leverage, interests and ideational dispositions of governments in the region within a consolidating and contradictory world market (Cammack 2016). This historical
context has seen the increasing roll-out by MDOs of market-oriented policy as a default ‘fix-it’ while also demanding ongoing modifications to the precise policy suites endorsed by MDOs as legitimacy and other challenges have emerged.

Three important phases of neoliberal developmental policy are worthy of attention (see Table 6.1), each having seminal, though geographically uneven, impacts on reshaping MDO practice in the region: the Washington consensus (from the early 1980s to the mid- to late 1990s); the post-Washington consensus (PWC) (from the mid- to late 1990s to the mid-2000s); deep marketization (from the mid-2000s to present). The analysis presented here is significantly based upon a comprehensive survey of approved MDO projects and other activities (predominantly using publicly accessible MDO databases and annual reports) in Southeast Asia during the three aforementioned phases. Projects were initially categorized by their sectoral and thematic MDO demarcations, with project documents then subjected to further analysis.3

The chapter begins by characterizing the region’s experience with the first two phases of neoliberal development policy advanced by MDOs in Southeast Asia since the 1980s – the Washington consensus and the PWC. I illustrate that on the back of impressive growth and reasonable fiscal health, much (though not all) of the region was able to significantly postpone the impacts of the Washington consensus until the crisis of 1997–98. However, the crisis constituted a critical juncture for the region. It served to simultaneously expose more countries in the region to ‘structural adjustment’ lending and then-new institution building/’good governance’ prescriptions of the PWC, pushes which further drew countries into the world market (less on their terms than before) and exposed them to the more all-encompassing market discipline that this entailed. The final section presents an overview of the latest MDO agendas being promoted in the region. Here, I point to the operation of a new politics of development, with states often enjoying more (though still highly varied and regularly highly constrained) leverage with MDOs than previously, on the back of broader and deeper capital markets, changes in foreign direct investment flows, more globalized forms of production and the entrance of new development actors (such as NGOs, nation-states, such as China, and moves to establish new MDOs such as the Asia Infrastructure Investment Bank). This said, rather than signaling the death knell of neoliberalism and neoliberal MDO activities, neoliberal development policy’s latest form caters explicitly to this context, and subsequently has enjoyed significant expansion. Moreover, the modalities of deep marketization play important roles in subject countries to further world market discipline, constraining policy choices and amplifying exposure to contradiction.

**Leverage and the first two phases of neoliberal development policy in Southeast Asia: the Washington consensus and the post-Washington consensus**

In the 1980s and early 1990s, both Northeast and Southeast Asia were at the center of development discourse and often intense battles over development policy. Following on the heels of Japan’s rise to industrial prominence as the world’s second largest economy, Asia’s ‘newly industrializing countries’ (NICs) – comprising the four ‘Asian Tigers’ of Hong Kong, Singapore, South Korea and Taiwan – and ‘newly industrializing economies’ (NIEs), such as Indonesia, Malaysia and Thailand, gained the attention of development scholars and practitioners. Notably, following Chalmers Johnson (Johnson 1982), a whole host of ‘statist’ scholars famously drew attention to the neo-mercantilist role of the state in successful late industrializing countries in Asia, which often exhibited not only sustained growth but also growth that was deemed (including by the World Bank) more equitable than elsewhere (World Bank 1993a, v).
However, following the travails of ‘the Chicago Boys’ in Pinochet’s Chile and the rise of Thatcher and Reagan in the United Kingdom (UK) and the United States (US), the new orthodoxy gaining ground – and rapidly concretizing within both the World Bank and the IMF – centered on liberal economic assumptions and an aggressively liberal market-oriented reform agenda. Constituting what some described as a veritable ‘counter revolution’ in development policy (Toye 1987, 22), the new focus in development theory was not on the importance of aid, physical capital, market protection and subsidies for industry, for example, but rather economic growth and its apparent determinants (Robison and Hewison 2006, xi). In this view, the state was increasingly maligned as both a repository of ‘rent seeking’ by ‘predatory elites’ and for engaging in ‘distorting prices,’ interfering with the much-vaunted price-setting mechanism in the allocation of resources and inhibiting the flourishing of entrepreneurial activity.

John Williamson dubbed the general agreement over policy endorsed by the leading institutions within ‘technocratic Washington’ – the World Bank, the IMF and US Treasury – throughout the 1980s as ‘the Washington consensus’ (Williamson 1990, 7). Mirroring the broad pro-market sentiments emanating out of the US and UK, development policy’s first neoliberal phase pushed a policy set that sought to generally remove the state from interfering with and impeding market forces. When combined with ‘conditional lending’ (lending attached to policy and institutional change, often within a period of crisis) from the IMF and World Bank, these policies were tantamount to what came to be known in relatively popular development parlance as ‘structural adjustment.’ The policy recommendations included fiscal discipline, privatization (of public utilities and other entities), the provision of secure property rights, redirecting public spending toward ‘pro-growth’ areas and areas to improve income distribution, tax reform (encouraging lower marginal rates and broader tax bases through efforts such as value added taxes, for example), liberalization of interest rates, trade and foreign direct investment (FDI) flow, and competitive exchange rates (Williamson 2000, 252–253; see Table 6.1).

Yet, as statist pointed out, despite the alacrity with which the Washington consensus was adopted in MDO circles, the approach sat in marked tension with many (though not all) of the policies adopted by ostensible development success stories in Asia, including those in Southeast Asia. Here, statist and critical political economists identified development and growth as the products of more complicated narratives that included the influence of Japanese colonialism, post-colonial/Cold War/post-Plaza Accord relations of production, often-extensive state intervention and planning (associated with the embrace and promotion of import-substitution industrialization and export-oriented industrialization), culture, lashings of leftist/labor repression, and forms of comparative advantage centered upon cheap labor and or natural resources. Indeed, consistent and often impressive growth in much of Southeast Asia and the importance of maintaining Cold War allies likely did much to contain (though far from entirely) the influence of the Washington consensus in MDO activities in the region throughout the consensus’ heyday of the 1980s (especially relative to its impact in Sub-Saharan Africa and Latin America), while also providing a congenial environment to often repressive regimes and emergent capitalist classes (see for example Hewison 2001, 81–86; Hutchison 2001, 46–49). Nonetheless, as the 1980s proceeded, many of the elements above were progressively accompanied by neoliberal-friendly patterns of financial deregulation and economic opening as strategic support from Western governments and MDOs within the context of the Cold War dried up, forcing countries to compete within the global market for financing and market share to further propel growth and industrialization (Rodan Hewison and Robison 2001, 15–16).

This said, the combination of economic vulnerability and the ideological orientation of leaders such as Corazon Aquino and Fidel Ramos saw the World Bank, the IMF and Washington
consensus structural adjustment having a significant impact in the Philippines prior to the 1997–1998 crisis. The debt crisis in the 1980s, which had its roots in the late 1970s and the blame for which the World Bank notably laid squarely at the feet of ‘pervasive state intervention and overprotection of industry’ (Hutchison 2001, 49; World Bank Independent Evaluation Group (IEG) 1996), provided the context for a series of significant structural adjustment interventions by the World Bank, culminating in the 1990 Debt Management Loan Program (US$200 million), which complemented numerous stand-by arrangements by the IMF and bilateral efforts. Indeed, of the 49 approved World Bank projects in the Philippines during the 1980s (totaling US$3.66 billion),4 many of the biggest commitments to the country were structural adjustment loans. Projects during this period and up to the mid-1990s specifically supported neoliberal agendas designed to reduce trade protection and public ownership and increase central bank independence (World Bank 1993b). Significant World Bank lending to the Philippines throughout this period also included a mix of infrastructure (energy, power, water, ports and roads), ‘social lending’ (health and education) and disaster relief (for the 16 July 1990 earthquake, for example), albeit with the infrastructure and social lending often exhibiting the increasing influence of burgeoning preferences for institution building, monitoring and evaluation, non-governmental organization (NGO) participation and decentralization, which would become important components within the PWC (see the next section and Table 6.1). For example, of the three main components that comprised the 1989 Health Development Project, one component focused upon strengthening institutional capability and monitoring, while a second component was designed to foster partnerships between government, NGOs and other community-based organizations (World Bank 1989; see also World Bank 1993c).

The ADB, yet to be as neoliberal and policy-oriented as the World Bank in terms of its lending, continued to provide considerable loans to the Philippines throughout the same period up to the crisis for infrastructure-related projects, such as coal-based power plants (the Masinloc Thermal Power project) and roads, and disaster relief. However, indicative of the country’s fiscal situation, in 1985 a “shortage of counterpart funds and consequent slowdown in the implementation and loan disbursements for nearly all the [ADB]’s ongoing projects in the country,” saw the ADB not approving a single loan for the Philippines in 1985 – with only a small technical assistance program of US$1.3 million (ADB 1986, 53–54). Moreover, and in line with the neoliberal positions of the administrations of the time, it should be noted that both the World Bank and the ADB were considered important among government circles as suppliers of market-oriented technical assistance for the concretizing privatization push in the country (Carroll 2010, 119–122).

In Indonesia (the largest cumulative regional borrower for both the World Bank and ADB, see Tables 6.2–6.4), the relationship with MDOs during the 1980s and up until the crisis of 1997–98 was of a different nature, reflecting the relative leverage enjoyed by that country within the context of the Cold War and the impressive economic growth achieved (albeit with persistent and often pervasive development challenges). Notably, many of the World Bank’s projects continued to evoke a more ‘classically’ developmental ‘basic needs’ quality – indicative of the Bank under Robert McNamara – than that of the structural adjustment programs in the Philippines. Of the nearly 190 approved World Bank projects valued at over US$21.4 billion between 1980 and August of 1997 many of the biggest sums in terms of commitment were for infrastructure, with considerable sums going toward large-scale power and energy projects (24 projects worth over US$4.7 billion), education and training (24 projects; US$1.8 billion), highway projects (eight projects worth over US$1.6 billion), telecommunication projects (four projects; US$1.1 billion), industrial sector support (including foreign exchange financing), and
Table 6.1 Three phases of neoliberal development policy

<table>
<thead>
<tr>
<th>Policy and reform foci</th>
<th>The Washington Consensus Early 1980s to mid-1990s</th>
<th>The post-Washington Consensus Mid- to late 1990s to mid-2000s</th>
<th>Deep marketization Mid-2000s to present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and reform foci</td>
<td>Fiscal discipline Privateization Secure property rights Redirecting public spending toward ‘pro-growth’ areas and areas to improve income distribution Tax reform (encouraging lower marginal rates and broader tax bases through efforts such as value added taxes) Liberalization of interest rates, trade and foreign direct investment flows Competitive exchange rates</td>
<td>Market-oriented institution building and ‘good governance’ Public-private partnerships The promotion of forms of ‘participation’, ‘partnership’ and ‘empowerment’ (involving sections of the state and civil society) in the market-building process Market-oriented modes of social development (linked to institution building and ‘social capital’) Budget support Microfinance Ongoing usage of Washington consensus policies, often with modifications</td>
<td>The promotion of ‘enabling environments’ via benchmarking exercises Public-private partnerships ‘Access to finance’ and other forms of micro, small and medium enterprise (MSME) support Selective ongoing usage of Washington consensus and PWC policies</td>
</tr>
<tr>
<td>Key events and dynamics</td>
<td>The rise of neoliberalism in the US and UK and the demise of non-neoliberal (Keynesian, social democratic, neo-mercantilist, socialist and communist) development strategies</td>
<td>The fallout of the transition experience in Eastern and Central Europe The aftermath of the 1997–98 crisis The rise of local and global social movements against multilateral organizations and the policies of the Washington consensus and structural adjustment</td>
<td>Expanding and deepening capital markets and other processes of financialization The celebration of ‘emerging and frontier markets’ and increasing economic integration</td>
</tr>
</tbody>
</table>

(Continued)
### Table 6.1 (Continued)

<table>
<thead>
<tr>
<th>Impact in Southeast Asia</th>
<th>The Washington Consensus Early 1980s to mid-1990s</th>
<th>The post-Washington Consensus Mid- to late 1990s to mid-2000s</th>
<th>Deep marketization Mid-2000s to present</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Crises in Latin America</td>
<td>Diminishing leverage of multilateral organizations</td>
<td>Further diminished leverage for the traditionally significant multilateral organizations</td>
</tr>
<tr>
<td></td>
<td>The fall of the Berlin Wall and the experience of ‘transition countries’</td>
<td></td>
<td>Increased importance of private sector-oriented multilateral organizations, such as the International Finance Corporation and the European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td></td>
<td>The 1997–98 ‘Asian’ Crisis</td>
<td></td>
<td>Significant and ongoing</td>
</tr>
<tr>
<td></td>
<td>Moderate, with important exceptions, until the 1997–98 crisis (which entailed a dramatic scaling up of Washington consensus interventions)</td>
<td>Significant, with large-scale institution building programs and other new modalities and strategies piloted and ‘scaled up’</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Toby Carroll*
Table 6.2 ADB ‘sovereign’ approvals (including loans, grants and official co-financing and technical assistance) for Southeast Asian developing member countries

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>55</td>
<td>114</td>
<td>69.6</td>
<td>203.15</td>
<td>295.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>284.6</td>
<td>502.1</td>
<td>950.4</td>
<td>1067</td>
<td>813.4</td>
<td>1486.5</td>
<td>901.63</td>
<td>950.11</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>7</td>
<td>0</td>
<td>28</td>
<td>99</td>
<td>68.1</td>
<td>140.52</td>
<td>211.93</td>
<td>90.35</td>
</tr>
<tr>
<td>Malaysia</td>
<td>83.75</td>
<td>134.5</td>
<td>17.1</td>
<td>74</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.375</td>
</tr>
<tr>
<td>Myanmar</td>
<td>50.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>96.4</td>
</tr>
<tr>
<td>Philippines</td>
<td>178.3</td>
<td>1.3</td>
<td>699.6</td>
<td>578.1</td>
<td>476.4</td>
<td>204.72</td>
<td>708.01</td>
<td>1,534.44</td>
</tr>
<tr>
<td>Thailand</td>
<td>170</td>
<td>168.9</td>
<td>116.1</td>
<td>335</td>
<td>2.6</td>
<td>3.35</td>
<td>509.11</td>
<td>2.725</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>244.6</td>
<td>232.6</td>
<td>616.49</td>
<td>1,246.48</td>
</tr>
<tr>
<td>Regional Total</td>
<td>774.15*</td>
<td>806.8</td>
<td>1,811.2</td>
<td>2,452.7</td>
<td>1,707.1</td>
<td>2,521.18</td>
<td>3,780.31</td>
<td>4,628.15</td>
</tr>
</tbody>
</table>

* Singapore had a loan for US$19 million approved to support vocational and industrial training in 1980.

Source: Compiled by the author from ADB Annual Reports (and related appendices), 1980–2014. Amounts are in millions of dollars.

Table 6.3 World Bank (International Development Association and International Bank for Reconstruction and Development) commitments for Southeast Asian developing member countries

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>0</td>
<td>0</td>
<td>37</td>
<td>41.7</td>
<td>38</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>754</td>
<td>972.7</td>
<td>1,632.8</td>
<td>1,417</td>
<td>133.4</td>
<td>917.2</td>
<td>2,986.4</td>
<td>1,077.6</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>13.4</td>
<td>0</td>
<td>44.7</td>
<td>19.2</td>
<td>0</td>
<td>76</td>
<td>124.3</td>
<td>102.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>50</td>
<td>89.8</td>
<td>154.2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Myanmar</td>
<td>160</td>
<td>32.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>281.5</td>
</tr>
<tr>
<td>Philippines</td>
<td>412</td>
<td>254</td>
<td>941.8</td>
<td>18</td>
<td>277.5</td>
<td>99</td>
<td>685</td>
<td>1279</td>
</tr>
<tr>
<td>Thailand</td>
<td>542</td>
<td>112.5</td>
<td>144</td>
<td>513.1</td>
<td>400</td>
<td>0</td>
<td>79.3</td>
<td>0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>415</td>
<td>285.7</td>
<td>698.8</td>
<td>2,129.3</td>
<td>1541</td>
</tr>
<tr>
<td>Regional Total</td>
<td>1,931.4</td>
<td>1,461.3</td>
<td>2,917.5</td>
<td>2,419.3</td>
<td>1,138</td>
<td>1,829</td>
<td>6,009.3</td>
<td>4,281.9</td>
</tr>
</tbody>
</table>

Source: Compiled by the author from World Bank Annual Reports (and related appendices), 1980–2014. Amounts are in millions of dollars.

Table 6.4 Total historical cumulative MDO allocations to Southeast Asian countries (as of 2014) in millions of dollars

<table>
<thead>
<tr>
<th></th>
<th>World Bank</th>
<th>Asian Development Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>899</td>
<td>1,728</td>
</tr>
<tr>
<td>Indonesia</td>
<td>49,469</td>
<td>24,430</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>1,291</td>
<td>1,577</td>
</tr>
</tbody>
</table>

(Continued)
ongoing (and controversial) transmigration projects (three projects worth US$324.5 million), the latter continuing processes started during Dutch colonial times and which were also funded by the ADB. This said, the creeping (though still limited) influence of neoliberal reform could be seen (especially from the 1990s on) in some of these infrastructure projects, which often built in ‘technical assistance’ components that sought to establish regulatory regimes for promoting competition in utility provision. Moreover, during this time both explicit and more subtle efforts at adjustment lending did take place, for example, in the form of a sectoral adjustment loan (SECAL) for water supply reform and a loan dedicated toward ‘modernizing’ the telecommunications sector (World Bank 1995).

The ADB’s work in Indonesia throughout the 1980s and early 1990s had a strong emphasis on infrastructure and education, an emphasis which – along with broader efforts by the ADB throughout the region – would soon be reoriented toward and/or overlaid with more overt neoliberal policy-oriented elements as the late 1990s and 2000s rolled on. ‘Priority projects’ were supported in agriculture, energy (including energy diversification and efficiency), education and infrastructure. Notably, ADB annual reports throughout the 1980s document significant agriculture and energy support, followed by transport and communications, and education as attracting the biggest cumulative lending sums, with cumulative agriculture lending (US$2.35 billion) more than double that of energy (US$978 million) (ADB 1986, 44, 1991, 69).

Malaysia, in line with its relatively positive development trajectory and leverage, exhibited only modest draws on both World Bank and ADB resources throughout the 1980s, with these largely tapering off in the 1990s (see Tables 6.2 and 6.3). Projects that were funded by the World Bank also largely mirrored the profile above of those funded for Indonesia, with no overt structural adjustment projects out of the 40 projects totaling US$2.37 billion approved between 1980 and 1997, with the biggest projects funding infrastructure (including US$562 million for power/energy projects), education (US$482 million) and agriculture. Once again though, the ideational drive to instill neoliberal policies could be seen increasing toward the mid-1990s in a fairly limited sense in some project documents, with concerns over creating ‘demand driven’ and decentralized education systems, for example.

Thailand’s portfolio of approved World Bank projects throughout the 1980s and early 1990s included significant commitments to power, education, agriculture and industrial sector support,
but it also received two structural adjustment loans prior to the crisis (in 1982 and 1983, for US$150 million and US$175.5 million respectively). Tellingly though, the tone of the loan documents – which point to the alignment with existing government plans and a congenial working relationship between the Bank and the government – typically eschew the more aggressive elements of the Washington consensus (which was still very much in gestation) (World Bank 1982, 1983). For ADB commitments to Thailand during the period, considerable attention was given to physical infrastructure (large amounts on energy, transport, communications, and water supply and sanitation), albeit often with increasing references to ‘promoting private sector investment’ and increasing state enterprise efficiency, portending a push that would only gain more momentum over time (ADB 1991, 82).

Not surprisingly, given the mix of regimes and politics operating, both the ADB and the World Bank had (mostly small) commitments to Laos and Myanmar in the 1980s, with Vietnam and Cambodia, still yet to be brought back within the MDO fold. However, by 1995 – nearly a decade after the initiation of doi moi market reforms and the later normalizing of diplomatic relations that included the lifting of US restrictions on the flow of multilateral aid to the country – Vietnam had begun attracting increasing commitments from both the World Bank and ADB (see Tables 6.2 and 6.3).

The 1997–98 crisis and the start of a new era of MDO activity in Southeast Asia

While fast growth in the region meant that many countries were able to stave off grand MDO structural adjustment in the 1980s, the crisis of 1997–98 changed that. Crucially, the crisis also dovetailed with arrival of then-new ‘PWC’ agendas, which broadly took root during James Wolfensohn’s presidency (1995–2005) at the World Bank and under the influence of people such as Joseph Stiglitz, who was briefly Chief Economist of the Bank during Wolfensohn’s tenure. Here, efforts toward facilitating ‘participation,’ ‘partnership,’ ‘community-driven development,’ ‘empowerment’ and ‘country ownership’ were paired with ‘good governance’ institutional-building programs, the latter being marshaled toward addressing common charges of ‘crony capitalism’ during the crisis and more substantive attempts to remake state and society in a neoliberal image (see Table 6.1). What these promising-sounding foci of participation, partnership, empowerment and country ownership actually meant in the hands of the MDOs was open to significant critique, with questions raised over the degree to which partnerships were equal and the degree of autonomy that countries enjoyed in ‘owning’ what ended up in Poverty Reduction Strategy Papers (PRSPs), for instance (Hatcher 2014, 33–35). However, within some MDO circles, such as the social development unit of the World Bank, relatively progressive factions were trying to use this new push that had emerged out of the serious legitimacy challenges raised by activists, academics and politicians to challenge – within the confines of neoliberalism – the World Bank’s traditional ideological ‘power bloc’ of orthodox economists while also trying to change poor governance in country contexts such as Indonesia (Guggenheim 2006). However, rather than challenging the underlying economic assumptions of the Washington consensus, in practice the PWC reflected recognition within MDO circles of the difficulties of structural adjustment implementation – especially in terms of the politics of reform – and, not unrelated, a renewed role for the state then being drafted by neoliberalists influenced by new institutional economics toward addressing ‘transaction costs,’ ‘imperfect information’ and ‘market failure’ (Carroll 2010). Importantly for our purposes here, though, the onset of the crisis heralded a new phase of neoliberal MDO activity in the region, that combined both Washington consensus and these then–newly emerging PWC elements, with ADB operations (despite that MDO’s
reputation for being ‘infrastructure oriented’) increasingly mirroring (and indeed actively harmonizing with) much of what was emanating from the World Bank.

In mid- to late 1997, beginning in Thailand and quickly moving to Indonesia, countries in the region that had selectively liberalized in a bid to continue growth and industrialization experienced serious economic and financial turmoil. In several prominent cases this was followed by conditional structural adjustment lending from both the IMF and the World Bank (often supported by the ADB) and, in some cases, dramatic political and social turmoil and upheaval (Robison 2001; Rodan Hewison and Robison 2001, 16–17). As Thailand’s descent into crisis unfolded, the IMF extended a US$17 billion conditional package that demanded large-scale Washington consensus-style reform and restructuring that mirrored much of what had earlier unfolded in Latin America, Africa and the economies of the former Soviet Union (Hewison 2001, 92). Between September 1997 and October 1999 the World Bank made the last of what would be its biggest commitments to Thailand (indicative of the country’s increasing leverage in relation to MDOs) for over a decade. Many of these loans had a strong structural adjustment quality to them, such as the Finance Companies Restructuring Loan and the Economic and Financial Adjustment Loans 1 and 2 (all three of which were prepared in close coordination with the IMF). These loans, and another Public Sector Reform adjustment loan, totaled US$1.75 billion. Also notable at the time – and broadly emblematic of the PWC fusing of community development, ‘empowerment,’ decentralization and ‘demand driven’/market-oriented approaches to poverty reduction – was a relatively large ‘Social Investment Project’ (US$300 million) and a large energy project to support ‘restructuring, corporatization, and privatization’ efforts associated with the Electricity Generating Authority of Thailand (EGAT). Closely complementing these efforts, the ADB’s efforts focused on ‘restoring stability in the economy; strengthening competitiveness and sustainable growth; and improving Thailand’s quality of life, with a focus on social and environmental goals’ (ADB 1998, 116). Concrete ADB loan commitments at the time included a financial market sector reform loan of US$300 million (part of the combined crisis-related rescue package put together by multilateral and bilateral agencies) with very significant amounts of attendant commercial co-financing (US$1 billion), and the Rural Enterprise Credit Project (US$200 million), which continued a shift toward support for microfinance and market-oriented institutional strengthening (ibid.; ADB 2001, 2). The financial sector reform loan, which was part of immediate stabilizing efforts after the onset of the crisis, was also designed toward, among other purposes, broadening, deepening and improving the efficiency of financial markets in Thailand, in part through very PWC concerns relating to market regulation and supervision, and improving the investment climate and SME support (the latter two themes soon to become central components within neoliberal development policy) (ADB 2003, 3–8, 13).

In Indonesia the reforms requested by the IMF would deal significant blows to the family-centered networks of power and, indeed, the country’s greater social fabric. The rapidly declining rupiah (which continued to fall after its floatation), and a quickly approaching banking, corporate and, indeed, fiscal crisis, led the government to call in the IMF, which demanded a raft of reforms targeting large industrial projects (including national car and aircraft projects), state trade monopolies in a range of staple foods and ‘the liquidation of insolvent banks’ (Robison 2001, 118). Conditional structural adjustment lending began in November 1997 with a US$10 billion stand-by facility (augmented with another US$1.8 billion in mid-1998) and large pledges (US$26 billion) by multilateral donors (including US$3.5 billion by the ADB) and bilateral organizations (Asian Development Bank 1998; International Monetary Fund 2000). Given what was at stake for the regime and its most prominent beneficiaries (big corporations and ‘politico–business families’), which had benefited from state guaranteed ‘frameworks of
protection and privilege,’ intense conflict and negotiation – including halting the disbursement of funds and new concessions – between the IMF and the government was to be expected (ibid.). IMF demands to control spending led to an austerity budget that would impact the beneficiaries above and, via dramatic cuts to fuel and food subsidies (including those for rice) at a time of drought, have dreadful consequences for Indonesia’s poorest, culminating in riots, large-scale (often student-led) demonstrations and Suharto’s resignation in May 1998 (Gill 1999; Lane 2008, 169–171).

For the World Bank, which previously enjoyed a close Cold War-nurtured relationship with the Suharto regime and which had its portfolio heavily impacted by the crisis with massive allegations of corruption circulated just before the crisis (Winters 2002, 102; 26), the time was an extremely active one. In keeping with the nature of the crisis and its fallout, and the evolving confluence of Washington consensus and PWC elements, significant structural adjustment and other neoliberal policy-oriented lending in areas such as financial and banking reform, corporate restructuring, ‘governance’ and (limited) social safety nets dominate portfolio commitments to Indonesia after the onset of the crisis. A series of Policy Reform Support Loans (PRSLs) and projects targeting banking reform and corporate restructuring (totaling well over US$2 billion in commitments), which were to be complemented by more significant commitments in the form of ‘Development Policy Loans’ (no less than ten worth US$5 billion in commitments), and other adjustment loans throughout the noughties are worthy of attention here, signaling a trend toward policy-based lending that continues up to the present. Notably these were coupled with technical assistance (TA) projects promoting more PWC-esque orientations such as marketizing utility provision (including the promotion of public-private partnerships, PPPs), decentralization and – importantly – then-novel social development and community-driven development programs such as the soon-to-be massive Kecamatan Development Program (KDP), which drawing on burgeoning interest in social institutions and social capital, sought to reshape patterns of governance, from the ‘bottom up.’ The palatability of such programs was perhaps not surprising given the ongoing cries over ‘crony capitalism’ (and its apparent association for many neoliberals with the crisis), not to mention the broader PWC push around ‘good governance.’ Notably, various iterations of the highly influential KDP and its offspring totaled well over US$4.5 billion in commitments, with the project reportedly impacting every village in the country and being replicated in countries within the region (the Philippines) and beyond.

Importantly, throughout the 1990s and early 2000s, the ADB’s efforts in Indonesia, the Philippines, and elsewhere in the region began to mirror those of the World Bank, starting with crisis coordination around structural adjustment with its multilateral peers, and intensified efforts around ‘governance’ (the latter increasingly understood as synonymous with market-related institutional integrity), ‘reaching out to civil society’ (which, as with the World Bank, mostly meant incorporating amenable NGOs into operations), supporting decentralization and the promotion of public-private partnerships (PPPs), and increasing amounts of direct support for the private sector. Yet as growth returned, the leverage tables were once again turning for MDOs, presenting a further challenge to the attractiveness of the often expensive and controversial institutional reform programs of the PWC. However, the increasing presence of countries such as Vietnam and Laos within multilateral development portfolios (see Tables 6.2 and 6.3) in the context of the celebration of ‘emerging’ and ‘frontier markets’ heralded a new era of neoliberal development policy in the region that would manifest in increased commitments toward facilitating ‘policy dialogue’ (often via generous forms of budget support), risk mitigation strategies centered around co-financing, MDO loan and equity investments directly to the private sector and the scaling up of PPPs and ‘access to finance’ projects. Moreover, while neoliberal institution building would continue, it would do so in a different form, with the good
governance agenda of the PWC morphing into agendas to foster ‘enabling environments’ for capital. By the mid noughties this deep marketization agenda would be consistently reflected in both World Bank and ADB portfolios throughout the region.

The current state of pay in MDO activity: a new politics of development and the promotion of deep marketization in Southeast Asia

If the 1980s was an era in which growth largely permitted postponing conditional structural adjustment, and the late 1990s to mid-2000s were to see a fusion of structural adjustment (especially around the crisis) and PWC neoliberal institution building agendas, the present era constitutes something different again. Indeed, a new politics of development has been further reshaping MDO activities toward the promotion of deep marketization (see Carroll and Jarvis 2015, 295–298), reflecting both the ongoing interring of countries into the global political economy and (not altogether unrelated) changes, once again, in leverage between MDOs and member countries. After several decades of the neoliberal policy agendas outlined above, elements of which have been employed willingly by states, some less willingly, capital is now perhaps better positioned than ever before to enjoy spatial flexibility in its pursuit of new repositories of cheap labor, new investment opportunities and new markets. Increased FDI flows, deeper and broader capital markets, and the increasing capacity for emerging market firms and countries to issue bonds, reflect both the interest of capital in comparatively fast growth rates of ‘emerging economies’ and – in some significant cases – a lessening of country dependence on conditional lending from MDOs. Added to this are the entrance of new actors such as China and the related efforts to create new development banks, such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB; formerly the BRICS Development Bank), all of which present some potential competition for traditional MDO operations based around conditional lending or the more timid ‘capacity/institution building’ projects of the PWC.

This said, institutional reform toward establishing ‘enabling environments’ for capital and ‘improving the investment climate’ is now promoted through MDO-led benchmarking efforts, such as the IFC/World Bank Doing Business report series, which assess and rank countries in relevant areas and send signals to capital about the investment worthiness of a given locale. Further, considerable ongoing policy-based lending that promotes further neoliberal reform also carries on the institutional reform agendas started under the Washington consensus and PWC, suggesting that some within national governments are convinced of the merits and/or the ostensible inevitability of the need for continued reform efforts within the current international political economy. Importantly, many elements of the current MDO agenda are being vigorously pushed in countries that are the newest entrants to the neoliberal MDO club, often through direct-to-sector private sector support. Here, the IFC and the ADB (Cammack 2016; Carroll 2015) have been at the forefront of recrafting neoliberal development agendas in the region around financialized risk-mitigating/risk-allocating modalities designed to promote private sector activity generally. This promotion has come in the form of supporting PPPs, providing loans to and taking equity in private entities, ‘access to finance’ programs designed to foster micro, small and medium enterprises (MSMEs) and promote ‘financial inclusion’ and other projects (around land titling, for example) that seek to extend the breadth and depth of private property ownership.7

Looking at recent commitments by the World Bank and ADB, key deep marketization elements and the continuing influence of the two earlier phases of reform are all clearly evident. In the case of Indonesia, which in 2014 was the eighth largest borrower from the World Bank’s
‘hard lending’ (i.e., non-grant/non-credit-based) window, the International Bank for Reconstruction and Development (IBRD), the large and sustained tranches for PWC ‘social/community driven development’ projects, such as the KDP and its progeny, remain. Accompanying these are significant sums for ‘development policy lending’ (of approximately 20 projects totaling US$10.65 billion since 2005) for projects that emphasize many neoliberal demands including broad institutional reform related to finance, infrastructure, taxation, climate change, ‘economic resilience’ and social assistance. This continues the trajectory largely begun during the 1997–98 crisis, albeit in quite a different economic environment, although the recent economic slowdown and depreciating currencies, on the back of China’s slowdown, may once again challenge this. Significant commitments supporting decentralization and local government, the promotion of transparency and accountability, and power and education are also present, often exhibiting pronounced marketizing elements. Moreover, the IFC has been making important advances in Indonesia, partnering with local and international banks to promote access to finance and improve competitiveness via infrastructure investments, while also focusing on encouraging private sector investment, in part through work to ‘improve the investment climate’. The ADB’s foci in Indonesia also mirror much of the above, including significant sums for development policy lending with strong PWC elements (see for example ADB 2006, 99), and infrastructure support (the latter also now including significant neoliberal policy elements). However, the increased focus by the ADB on enhancing competitiveness, direct private sector support and ‘access to finance’ style projects stands out as being of particular note, emblematic of contemporary MDO preferences more broadly (see for example ADB 2015, 34–36).

In the Philippines (the sixth largest IBRD borrower in 2014), recent development policy lending commitments – for example, toward “increasing physical and human capital investment; tackling regulatory barriers in land, labor, and capital markets; all in the context of ensuring fiscal sustainability and boosting fiscal governance and transparency (World Bank 2014b)” – are also overt in the portfolio, as are significant commitments for crisis response and very PWC-esque ‘community driven/social development’ projects, and ‘social protection’ and education projects. Notably, the ADB’s 2011–16 strategy for the Philippines prioritizes the core deep marketization foci of improving ‘the investment climate’ and direct private sector support, in part via policy-based lending and technical assistance (ADB 2011, 5–6).

Yet perhaps one of the most important shifts in MDO activity in Southeast Asia in the contemporary era has been regional commitments to ‘emerging’ and ‘frontier’ markets, often using the modalities outlined above. Notable here, in 2014 Vietnam was ranked as the sixth biggest recipient of World Bank International Development Association (‘soft lending’) funds (US$1.34 billion) (World Bank 2014a, 11). On the back of its impressive development scorecard and interest in ‘policy dialogue,’ the country has also been (perhaps for some) an unlikely recipient of large multilateral (and bilateral) amounts of grant-bolstered budget support, which served to make the country one of the world’s leading recipients of ODA by the mid-1990s (Carroll 2010, 157). The IFC, which established its office in Vietnam in 1997, currently focuses on promoting access to finance in the country, along with supporting structural reform – including in the form of taking equity in a state-owned bank to pave “the way for other foreign strategic investors to invest in state-owned commercial banks and [support] their partial privatization” – and “improving the business climate” (via its support for the Vietnam Business Forum, for example). The ADB closely complements this work, for example through its US$320 million program to improve transparency and efficiency in state-owned enterprises (SOE) and another US$230 million project to improve competitiveness and the business environment through the promotion of a range of reforms to banking and fiscal policy, public sector administration and public investment, and SOEs (ADB 2015, 34).
While the World Bank’s relationship with Cambodia has been plagued by concerns over corruption, and the amounts committed small-to-non-existent (see Table 6.3 and Carroll 2010, chapter 7), the ADB’s activity in that country (the MDO is the country’s largest multilateral partner) has been more significant (see Table 6.2). Here, the ADB supports many of the deep marketization modalities detailed above – with direct private sector support to the energy and finance sectors receiving significant attention – in addition to infrastructure, education, agriculture and natural resources. In Myanmar, the transition and opening have seen new levels of interest from MDOs, with the IFC early into the country to promote the virtues of ‘business-enabling infrastructure’ and ‘access to finance,’ significantly challenging the rest of the World Bank and ADB with a country portfolio expected to be around US$400 million for FY 2015, rising to US$1 billion over the coming three years (Aung 2014). This said, the World Bank’s 2015 US$400 million National Community Driven Development Project (significantly echoing the KDP and other earlier CDD projects) and relatively large commitments for a mix of reform projects, including a US$440 million project with strong neoliberal requirements oriented toward clearing the country’s arrears with the World Bank and hence ‘normalizing’ World Bank-Myanmar relations, are worthy of note, as are generally increasing commitment figures. In Laos, MDO commitments (including, once again, the IFC, which has provided more than US$60 million in loans and equity to private companies operating in the country) have been uneven though still important (as Tables 6.2–6.4 show). Much of the deep marketization agenda that dominates contemporary development practice is again apparent, with the IFC promoting access to finance to SMEs, improving the investment climate and promoting PPPs and private sector participation in power generation and distribution (IFC 2015). The ADB has also strongly supported private sector participation in Laos, with loans and guarantees (for example two private sector energy projects with commitments of US$321 million), while also making significant commitments to infrastructure, governance and public sector capacity building.

**Conclusion**

This chapter has made the case that three key phases of neoliberalism – the Washington consensus, the PWC and deep marketization – are important in understanding neoliberal development policy in Southeast Asia. The degree of rollout of projects and programs associated with these phases has been significantly linked to the relative leverage and interests of countries and MDOs at different points in time and, relatedly, important evolutions and crises within the global political economy under late capitalism. Moreover, the genesis of each of these three phases also needs to be understood as the product of key ideological and material interests (including those of the MDOs and fractions of capital) that have had to respond to perennial issues of legitimacy and competition within the context of intensifying patterns of globalization and crisis.

Direct correlation of MDO activities with precise quantifiable outcomes in terms of shifts in GDP growth, impacts upon GINI coefficients and degrees of liberalization and ideational change, for example, is difficult. However, neoliberal development policy as operationalized by MDOs has had, and continues to have, an undeniable impact in Southeast Asia. As the analysis above attests, waves of policies attached to significant funding have promoted marketization and economic integration for three and a half decades, dovetailing and, indeed in many instances, directly underpinning actual marketization and levels of economic integration (via trade and investment liberalization and particular privatizations, for example). And while the new politics of development, characterized by the relative empowerment of ‘emerging and frontier markets’ on the backs of increased capital flows and new development actors, such as China, has been heralded as a challenge to the power of MDOs, in reality this has been an important factor in empowering MDOs advocating...
pro-private sector modalities and encouraging a further reinvention of neoliberal modalities. Here, organizations such as the IFC and ADB have played catalytic roles in mitigating risk to capital (including foreign capital), fostering congenial institutional environments for capital accumulation and diffusing market social relations generally. For almost four decades, neoliberalism has completely reinterpreted what it means to ‘do development.’ In a highly financialized and economically integrated world, the ongoing (albeit politically contested) influence of market-oriented MDOs and the policies that they promote is all but assured, with the current turmoil filtering through China and the underdeveloped world perhaps only making that more likely.

Notes

1 By ‘neoliberalism,’ I refer to the broad and changing policy sets that – based upon the assumptions of liberal economics – have been deployed over the last four decades or so to subject state and society to market and market-like discipline (‘marketization’). By ‘late capitalism,’ I am merely referring to capitalism in its most recent form and in no way mean to imply that capitalism is near terminal.

2 Given the limitations of space and the broad scope of the chapter, attention is given largely to the form that neoliberal development policy has taken in Southeast Asia, rather than the specific impacts of policy in terms of material, political and ideological shifts.

3 This approach to surveying MDO activities was supported by 15 years’ worth of research by the author on both MDO operations in Southeast Asia and neoliberal development policy more broadly.

4 All MDO figures are based upon publically available data from MDOs (from a combination of annual reports and project databases) and reflect published commitments approved by MDO boards.

5 Indonesia’s crisis encounter with the IMF was in part immortalized by the January 1998 image of the Fund’s Managing Director, Michel Camdessus, standing cross-armed behind a soon-to-be ousted President Suharto, as the late dictator signed a ‘Letter of Intent’ (one of a number at the time).

6 A further US$5 billion three-year extended arrangement was negotiated in early 2000.

7 For a more detailed exploration of the deep marketization agenda, see Carroll 2012 and 2015.

References


