Managing risk and vulnerability

In the past two decades, international organizations (IOs) and donors have become increasingly aware of the uncertainty of the global environment and the contingency of policy time. All organizations’ actions have an implicit temporal logic and a set of assumptions about the unknown. In the early days of development finance, as I discussed in Chapters 3 and 4, institutional actors generally assumed that policy time was relatively linear and uncertainty reasonably manageable, with progress achievable over time. As the international financial institutions (IFIs) and donors began to pursue more complex and longer-term structural adjustment policies in the 1980s and early 1990s, they encountered more surprises and disappointments and began in response to manage their policies over a longer period of time. Yet these early shifts in the conception and management of policy time were relatively minor, gradually extending time horizons rather than profoundly rethinking the challenges of the unknown.

It is only in the last fifteen years or so that these organizations have really changed the way they manage policy time, treating it as increasingly uncertain and volatile. Why this shift in thinking and practice? The easy answer is that international actors were literally shocked out of their linear conception of time by three key crises: the AIDS crisis in Africa, the Asian financial crisis, and the more recent global financial crisis. Each was a highly visible shock to the system that made it clear that the unexpected could occur with devastating consequences. Yet it was not these events alone that changed how IFIs conceptualized and managed the unknown, but rather how they were interpreted and acted upon. As I have suggested throughout this book, organizational actors are often concerned with the problem of policy failure: what counts as failure, what causes it, and how to resolve it. The shocks of the 1990s raised the spectre of a particular kind of failure: that caused by the sheer unpredictability of the social and physical world. The AIDS crisis and the Asian crisis both forced many people back into poverty after they had just climbed out of it, reversing decades of effort by the World Bank, non-governmental...
organizations (NGOs) and donors. The Asian and global financial crises also put at risk low-income countries’ (LICs) efforts to reduce their debt burdens with the help of policies like the highly indebted poor countries (HIPC) initiative. Policies once deemed successes were suddenly put into doubt, raising questions about the expert authority of the institutional actors behind them.

These unsettling events sparked a process of problematization, as scholars, practitioners and critics debated how to manage these more volatile problems. In the process, IFI and donor actors began to redefine the process of attaining policy goals such as poverty and debt reduction as more dynamic and uncertain. What has been going on is no less than a change in their ontology: they began to view the world with which they were engaging in very different terms, seeing poverty, debt and economic health as more volatile phenomena. Moreover, they began not only to view the objects of their efforts differently, but also to develop new techniques for managing them. Central to these new governance practices were two concepts: risk and vulnerability.

As I have discussed elsewhere, risk is not as an objective thing but a way of translating the unknown into something calculable. Risk assessment techniques allow institutional actors to evaluate the likelihood of certain problems, to convert their assessments into numbers, and to reduce those risks (in theory, if not always in practice). Much has been written in recent years about the increasing prevalence of the idea of risk and risk management in almost every area of modern life, from finance to security to the environment. It should therefore come as no surprise that the IFIs and donors have also begun to think about the risks of development finance. As I discussed in Chapter 4, staff in the World Bank’s Operations Evaluation Department (OED) began to evaluate program risks beginning in the mid-1990s in an effort to increase success rates. The International Monetary Fund (IMF) also began to pay more attention to the problems of financial risks in the late 1990s, introducing its Financial Sector Assessment Program (FSAP) in the aftermath of the Asian financial crisis.

In the late 1990s and particularly after the 2008 global financial crisis, the IMF, World Bank, Organisation of Economic Co-operation and Development (OECD) and donors like the United Kingdom’s Department for International Development (DFID) had also become interested in a second related concept: vulnerability. Whereas many of the initial risk-management policies focused on reducing the risks to the lenders’ own programs, the concept of vulnerability shifted the focus to potential difficulties faced by others – both countries and individuals. It is these two concepts – risk and vulnerability – that I will focus on in this chapter.
In the mid-2000s, the IMF and World Bank began focusing on LICs’ vulnerability to risks associated with excessive debt; a few years later, after the global financial crisis, the IMF started evaluating poor countries’ vulnerability to further shocks. The World Bank, followed by DFID and the OECD, also began in the late 1990s focusing on the vulnerabilities faced by poor people. Rather than relying on traditional social welfare policies, World Bank staff adopted a new, more proactive strategy for social protection designed to prepare poor individuals and families to respond more effectively to risks, transforming “safety-nets into springboards.” These policies not only brought together the concepts of risk and vulnerability but also extended them to the country and individual level in order to reduce the likelihood of failure in an increasingly uncertain context.

This new institutional attempt to govern risk and vulnerability is a meso-level phenomenon that cuts across a range of organizations and actors, and is therefore a very appropriate subject for the theoretical framework that I develop in this book. Although the policies that I will examine in this chapter – debt vulnerability assessments, vulnerability assessment exercises, and the social risk approach to social protection – are all quite different, they involve similar changes in the ideas, actors, techniques and forms of power and authority involved in governing. These new policies focused on risk and vulnerability emerged out of separate processes of debate and problematization; yet the ideas that ultimately underpinned the new policies have all drawn on institutionalist economics and public choice theory. And although these policies aim to enrol very different actors in governing risk – national governments or poor individuals – they both seek to make those actors more active and self-responsible, drawing them more deeply into the process of global governance. The techniques involved in both social risk frameworks and vulnerability assessments are designed to be performative, promotive and pre-emptive, preventing rather than simply reacting to shocks. The strategy of managing risk and vulnerability also distributes expert authority more widely and supplements it with more popular forms. Finally, these policies mobilize indirect forms of power to achieve their ends, working to produce particular kinds of actors and behaviours, differentiating among different classes of states and individuals, and excluding those who do not fit.

Increased efforts to manage risk and, above all, vulnerability, point towards the emergence of a more provisional style of global governance. At the heart of this new form of governance is a more reflexive preoccupation with the problem of failure, and increasingly sophisticated strategies for managing it. These strategies for managing risk and vulnerability are both more pre-emptive and indirect in their relationship with...
their objects, seeking to prevent failures before they manifest themselves. It is also provisional in its increasing reliance on more symbolic and therefore contestable techniques, as it seeks to translate increasingly complex phenomena into simple indexes. Finally, this new strategy is provisional because its practitioners are also increasingly cautious: less ambitious than past initiatives in their efforts to predict and respond to crises, thus hedging against the possibility of failure.

**Assessing poor countries’ vulnerability to shocks**

Once institutional actors began to see the world as a less certain place, they sought new ways of making sense of it by developing new practices for determining the kinds of shocks that might occur and for predicting their likely consequences. Despite a long history of surveillance at the IMF in particular, it was only after the most recent 2008 global financial crisis that serious attention was directed towards assessing the financial risks faced by LICs. All of the new policies on risk and vulnerability discussed in this next section were designed to better understand the risks facing LICs and the vulnerabilities that are likely to affect their response to shocks.

**Understanding the shift**

Why the increased interest in the effects of global economic shocks on low-income countries? While several crises played a role in precipitating this new concern, the particular policies that emerged were the result of a more gradual process of problematization and debate that included economists, institutional actors and external pressures. Part of this process of problematization was a shift in thinking both within and around the IFIs, as policy-oriented economists began to pay more attention to the problem of economic volatility. An increasing number of economists and policymakers began to recognize that extreme volatility was not an aberration in an otherwise smooth global economic system, but was increasingly the norm; as Craig Burnside put it in a research paper prepared for the World Bank, “one of the shortcomings of fiscal sustainability analysis is that it often does not take into account the effects of uncertainty.” Economists including Burnside and Claudio Raddatz also began to write about the importance of exogenous shocks for LICs’ economic development, examining the effects of increased external volatility. Such shocks had become more of a concern in recent years, Raddatz argued, because LICs’ macroeconomic and institutional policies had improved significantly, reducing the role of domestic factors,
but greater integration into the global economy had made them more vulnerable to external pressures.\textsuperscript{13} Economists also began to recognize the very serious consequences of external shocks on LICs, since these governments and their citizens had fewer resources to draw on, making it much harder for them to recover.\textsuperscript{14}

In addition to identifying volatility and shocks as universal challenges for low-income countries, policy experts began focusing on a second related problem: the crucial differences among LICs’ ability to respond. Whereas in the past, LICs were seen as a relatively homogeneous category with a few exceptions that could be addressed through ad hoc measures, the crises of the 1990s and 2000s made it clear that the same external shock could have very different effects on different countries. Economists like Dani Rodrik, Paul Collier and Daron Acemoglu began to investigate the reasons for these differences. Although their answers varied, they all emphasized structural and institutional (even political) factors as key determinants’ of countries’ resilience in responding to shocks.\textsuperscript{15} These findings suggested that any attempt to assess countries’ vulnerability to shocks and propose ways of reducing them would have to differentiate between stronger and weaker countries. No single approach would be likely to work.

Institutional dynamics and external political pressures also played roles in the debates about how to address risk and uncertainty, revealing some significant differences of opinion among key actors. Several of these new policies sought to determine how much debt LICs could sustain: a low-risk classification meant access to additional non-concessional financing, while a high-risk rating severely limited such options.\textsuperscript{16} During debates about the new policies to manage debt-vulnerability, Executive Directors from low-income countries and NGOs were faced with a dilemma: they wanted the IFIs’ policies to be more flexible, to allow poor countries to take on more debt to fund crucial domestic priorities, but they were concerned that donors would use LICs’ right to borrow more on non-concessional terms as an excuse to cut back their concessional aid.\textsuperscript{17} There was also considerable ambivalence among some IMF Directors about the very idea of classifying countries based on their debt vulnerability: as one senior IMF staff member put it, one of the mantras of the Board was that “we are not a ratings agency.” The staff did manage, however, to slip this policy through.\textsuperscript{18}

The crises of the 1990s and 2000s precipitated a process of debate and negotiation that ultimately problematized the effects of shocks and volatility for LICs. These dynamics combined with both institutional and political pressures to set the stage for a series of new policies designed to cope with LICs’ vulnerability in an increasingly volatile global economy.
Three new policies

As they began to focus more on LICs’ vulnerability to external financial shocks, Fund and Bank staff developed or revised a number of their policies. The first serious initiative to address the problem of LIC vulnerability was the World Bank and IMF’s development of a joint debt sustainability framework (DSF) in 2005.19 This framework was designed to assess the extent to which poor countries are capable of taking on non-concessional loans without going into debt distress. The key policy technique used is the debt sustainability analysis (DSA), which rates LICs’ risk of such distress: low, moderate, high or in debt distress.20 Staff analyse countries’ projected debt burden over the next twenty years, taking into consideration the possibility of significant shocks. They then use the country policy and institutional assessment (CPIA) as a basis for determining whether the country is likely to be able to manage that level of debt.21 As I discussed in Chapter 6, the CPIA was developed by the World Bank to quantify poor countries’ economic performance. Today, over two-thirds of the score is based on governance-related criteria, and the IFIs and some donors often use the index as a proxy for institutional capacity – i.e. as a measure of a government’s ability to manage economic resources and respond to problems effectively.22

This debt sustainability analysis process has several effects on borrowers. IFI staff hope that DSAs will provide borrowing countries with more information so that they can “monitor their debt burden and take early preventive action,” and “provide guidance to creditors” so that they will lend in a way that is “consistent with countries’ development goals.”23 More concretely, the ratings are used by the World Bank to determine the mix of loans and grants for International Development Association (IDA) recipients.24 In 2009, IMF staff also revised their guidelines on external financing for LICs, making them more consistent with the DSA approach. In the past, the IMF had strictly limited LICs’ access to non-concessional financing as a condition for their loans, fearing that they would borrow more funds than they could reasonably pay back.25 Fund staff did allow for a measure of flexibility through case-by-case exceptions, but otherwise treated LICs relatively uniformly. The new guidelines are more flexible about external financing by differentiating among different low-income country situations. The main criteria used are the level of countries’ debt vulnerability (determined using the DSA discussed above),26 and their “macroeconomic and public financial management capacity.”27

A country’s capacity is defined in terms of the strength of its institutions, but somewhat more narrowly than the DSA; rather than using...
the full CPIA to assess capacity (an idea that some IMF Directors resisted on the grounds that it was too broad), IMF staff use a “sub-CPIA” based on five components of the index, together with another index, the public expenditure and financial accountability (PEFA) framework. The IMF’s rating process operates like a matrix, scoring countries as either higher or lower in both debt vulnerability and capacity, and then establishing limits on external borrowing on that basis. The lower a country’s vulnerability and the higher its capacity, the more non-concessional funds they are allowed to borrow without losing access to IMF financing.

The IMF has also recently developed a third set of policies aimed at managing risk and vulnerability: “vulnerability assessment exercises” designed to determine how different low-income countries would be affected by different exogenous shocks. The assessments combine both quantitative and qualitative assessments. In the first quantitative stage, staff assess countries based on their analysis of the likely effects of certain kinds of shocks (e.g. financial, commodity price, etc.) combined with a vulnerability index. This vulnerability index once again includes the CPIA as one of its key indicators of countries’ vulnerability. The second, qualitative, stage of the process brings IMF area departments in to provide their judgment on the specific challenges facing individual countries. The goal of these assessments is to identify potential problems “before they materialize” by uncovering underlying vulnerabilities that are likely to amplify the impact of shocks.

The thinking behind the three policies discussed above and the techniques involved in each are somewhat different; yet all are characterized by common conceptions of the volatility of policy environments and of the nature of risk and vulnerability, parallel concerns with evaluating and ranking LICs’ vulnerability, and a similar reliance on institutional criteria (chiefly the World Bank’s CPIA) to do so.

Changing governance factors

What is striking about the documents on these new policies is their continual references to the fact that we now live in unsettled times in which volatility, uncertainty and shocks are an ever-present possibility. This new emphasis on risk and vulnerability involves an ontological change: from a conception of the world as relatively stable to one that is far more changeable, and from a conception of policy time that is linear to one that is far more uncertain and unpredictable. It should come as little surprise that the ideas, actors, techniques and forms of power needed to govern such a world are themselves also in the process of changing.
Economists’ and policymakers’ attention to the role of external factors in determining poor countries’ economic success is in sharp contrast with earlier reports like the 1981 Berg Report discussed in Chapter 3, or the 1989 report on sub-Saharan Africa discussed in Chapter 6, both of which blamed most of LICs’ difficulties on their own economic mismanagement and poor governance.\textsuperscript{31} This does not mean that these new policies ignore the role of domestic institutions. Instead, economists and policymakers have begun to study the interaction between internal institutional factors and external economic pressures – hence the continual emphasis on countries’ “capacity” to manage risk. Those economists whose work inspired and justified these new policies – including Collier, Acemoglu and Rodrik – all draw on institutionalist economics and public choice theory in order to explain the central role of institutions in determining countries’ vulnerability to external shocks.\textsuperscript{32} Acemoglu, for example, draws on a public choice conception of political institutions to argue that weak property rights and rule of law, and lack of social entitlement, allow self-interested elites to expropriate resources from the economy, producing increased economic volatility.\textsuperscript{33} Both Collier and Rodrik, in different ways, link institutional factors to vulnerability to external shocks, Collier focusing on macroeconomic structural factors, and Rodrik emphasizing the importance of political institutions for managing social conflict.\textsuperscript{34}

Several things are worth noting about the influence of these two small “i” ideas – new institutionalist economics and public choice theory – in the development of IFI policies on risk and vulnerability. First, these policies clearly continue the trend that I have discussed throughout this book of bringing institutions into the heart of development thinking and practice at both the World Bank and the IMF. Yet the way that they do so is also distinct from the good governance and ownership strategies discussed in previous chapters. Whereas these other strategies sought explicitly to act on and change institutional practice, the risk and vulnerability assessments have a more minimalist approach – using institutional capacity as a criterion for allowing extra borrowing and only very indirectly seeking to influence institutional quality. This minimalism is reinforced by the reliance on the CPIA as a technical proxy for institutional strength, as the messiness of good-quality institutions gets translated into a single number – the ultimate “black box” in Michel Callon’s terms.

The IFIs’ increased recognition of the role of institutions and their acknowledgement of the risks and vulnerabilities faced by poor countries indicates a growing awareness of the complexities of governance efforts. Yet the very thin way in which IFI staff have understood these
concepts works to domesticate the difficult and the unknown, making it tractable, if not fully predictable.

**Actors**
All three policies seek to engage LIC actors more fully in managing their own risk and vulnerability, and differentiate more clearly among various categories of low-income countries and their respective capacities. The vulnerability assessment exercises are designed to provide LICs with better information to enable them to take “pre-emptive policy action to reduce vulnerabilities.” By increasing the flexibility of the limits on external borrowing by LICs, IMF staff are even more ambitious about encouraging a more active role by low-income governments, noting that “over time, an increasing number of LICs would be expected to move to the more flexible and sophisticated approaches as their macroeconomic and public financial management capacity improves.” They thus seek to shift more of the responsibility and authority for managing debt portfolios to “capable” LICs.

This emphasis on different capacities is nonetheless worth noting: low-income countries are to play a bigger role “as their macroeconomic and public financial management capacity improves.” These new policies on risk and vulnerability not only seek to involve some LIC actors in the process of government, but they also seek to sort them according to their capacity to do so. One of the defining features of all three of the policies discussed here is their attention to the question of how to differentiate between low- and high-risk countries, between those who can borrow what they need and those who cannot. Not only do these policies therefore seek to enrol more active participants in financial governance, but they also work to discriminate between those more and less able to take on this new role. This new strategy to govern risk and vulnerability therefore involves a reconceptualization of the ontology not only of the global environment but also of individual actors themselves.

**Techniques**
These new policies on vulnerability and risk seek to pre-empt or prevent the worst from occurring, all the while preparing for it, just in case. The debt sustainability framework is “aimed to help countries monitor their debt burden and take early preventive action” before it becomes unsustainable. The vulnerability exercises are similarly designed to be “pre-emptive,” allowing IMF staff and country authorities to address underlying vulnerabilities before they become too serious.

Particular kinds of techniques are required to act pre-emptively in the face of such unknowns. The first set of techniques imagine the possible
risks that could arise; in both the DSAs and the vulnerability exercises, this is done through “scenario analysis,” a process that involves projecting possible futures with a range of different degrees of volatility. The vulnerability exercises in particular include assessments of “tail risks” – highly unlikely but extreme events that were largely ignored until the 2008 financial crisis.\textsuperscript{39} As Marieke De Goede has argued, this kind of scenario analysis is a form of “premediation” in which policymakers seek to imagine and prepare for extreme unknowns.\textsuperscript{40} The second set of techniques evaluate countries’ vulnerabilities to such shocks and translate these assessments into inscriptions to guide policy, including various scores that identify countries as lower or higher risks (of course, these scores depend in turn on prior inscriptions like the CPIA).

The third set of techniques for managing risk and vulnerability bear important resemblances to ones discussed in earlier chapters: techniques for monitoring and communicating countries’ levels of vulnerability. In all three of the policies discussed here vulnerabilities are monitored on an ongoing basis. In the case of the vulnerability exercise, regional assessments are published while country-specific information is shared only between the IFI and the country, for fear that the markets might overreact to a negative assessment. For the two debt assessment policies, on the other hand, the evaluation process is very public: countries’ DSA scores are communicated widely to donors, IOs and market actors.

These are highly symbolic practices that parallel both ownership and standardization strategies by emphasizing the signalling power of risk assessment scores. As the IMF’s factsheet on the DSA notes, “The effectiveness of the DSF in preventing excessive debt accumulation hinges on its broad use by borrowers and creditors.”\textsuperscript{41} The goal is to get as many lenders as possible to use DSA ratings in their decisions about whether and on what terms to lend to LICs.\textsuperscript{42} DSAs are thus performative inscriptions: they not only signal better or worse country conditions, but in doing so mobilize key actors to act on the basis of these signs.

\textit{Power and authority}

IFI staff and Directors’ efforts to engage LICs more actively in managing their own risks and vulnerability, as well as their attempts to encourage donors and other lenders to use key inscriptions like the DSA, both point to indirect and productive forms of power. As one senior IMF staff member put it, the goal of the IMF’s new ranking system is to encourage countries to deal more effectively with their debt through “peer pressure” – a technique that mirrors the logic behind the standards and codes initiative. In fact, IMF staff hope that the publication of the IMF’s risk ratings will work the same way as the World Bank’s “Doing Business”
index, to which low and middle income countries pay very careful attention, trying to move their way up the rankings.\textsuperscript{43} This is a very indirect form of power: IFI staff seek to change behaviour by publishing information in a highly stylized form, creating a tool – a way of assessing and sorting LIC economies – that others can use. Although the ultimate goal is to foster more responsible behaviour by LICs, the means to that end is through the decisions of other actors who, it is hoped, will lend more to good performers and less to poor ones.

These assessments are a perfect example of expert authority: they are highly technical; they translate complex political and economics realities into a set of simplified ratings; and they are carefully justified through staff’s repeated emphasis on the objectivity and neutrality of the processes involved.\textsuperscript{44} These new policies clearly work to re-establish IFI staff authority as experts on risk and vulnerability in the wake of the crises of the late 1990s and 2000s. Yet these new policies also seek to distribute that authority more widely: by enrolling “good” low-income governments in managing their own vulnerabilities and by encouraging donors, IOs and other lenders to use the rankings in their decisions about countries’ credit-worthiness.

This is not a zero-sum process where IFIs lose ground to other actors, but rather a more complex way of reorganizing the authority to govern.\textsuperscript{45} For example, although Fund staff and Directors recognize that their new borrowing limits will reduce their more direct influence over many LICs, they also note that “the gate keeping function has led to the perception that the Fund is an obstacle to financing for development;” shifting that function to capable LIC governments will therefore increase the institution’s legitimacy.\textsuperscript{46} The staff also note “This is why it is critical that these options be used only in countries with high capacity.”\textsuperscript{47} In other words, this authority can only be shared with the “right” actors – those already demonstrating similar priorities and practices as the IFIs themselves. The legitimacy of this strategy for managing risk and vulnerability, like the other governance strategies discussed in this book, thus rests on a particular combination of expert and popular authority. The goal is ultimately to disseminate the expertise embodied in these ratings so that a wide range of non-IFI actors, including the low-income governments themselves, can play a more central role in the governance process.

This less direct form of power is in stark contrast to the institution’s traditional “gate keeping” role: in the past, governments were forced to comply with the Fund’s determination that they were not in a position to borrow externally if they wanted IMF financing.\textsuperscript{48} Even as the IMF’s own resources constituted a smaller proportion of official assistance over time, this gate-keeping role hugely leveraged their influence over
borrowing countries’ financial activities. Yet, the institution has not entirely given up this tool – merely reduced its scope to those countries as yet “incapable” of taking on this role for themselves. A country’s rating has some very direct consequences: a higher-risk rating means that the IMF retains its gate-keeping role, limiting the opportunity for a government to borrow, effectively reducing their ability to invest in social and physical infrastructure.

More subtly, these various vulnerability assessment processes are all tools for differentiating – discriminating – among LICs. While this is not a black and white, inside and outside form of exclusion, it nonetheless operates as what Giorgio Agamben has called a form of inclusive exclusion.49 Some are excluded from the possibility of additional borrowing by virtue of their location at the very bottom of the ranking system; yet they are still a part of that system – the least capable against whom better performers are compared.

**Redefining poverty as social risk and vulnerability**

While some of the IMF’s new policies have conceptualized poor countries as vulnerable to the risks of a more volatile global environment, the World Bank has taken this insight even further and began to see poor people in similar terms. Through their reconceptualization of poverty as social risk, key actors in the Bank’s Social Protection Unit have redefined poverty as a more dynamic and uncertain phenomenon, and developed provisional governance strategies aimed at pre-empting potential failures in poverty reduction efforts. This risk-based approach to poverty has since been taken up by the OECD and DFID.50

**Understanding the shift**

Although the World Bank now views poverty reduction as its most important goal, this has not always been the case. In fact, Bank staff and leadership have treated the problem of poverty in a wide variety of ways over the course of the institution’s history.51 As I discussed in Chapter 3, Robert McNamara was the first Bank President to seriously challenge the trickle-down approach to poverty adjustment, treating poverty reduction as a distinct challenge requiring its own programs.52 By the 1980s, however, under the leadership of A. W. Clausen as President and Anne Krueger as Chief Economist, the Bank’s focus shifted heavily towards growth, which it sought to achieve through liberalization, privatization and structural adjustment – a triumvirate of policy prescriptions that came to be known as the Washington Consensus.53
dropped largely from the agenda. Where it did appear, the assumption was that growth would resolve it: the trickle-down thesis had made a comeback.

In 1987, UNICEF published a highly critical report, *Adjustment with a Human Face*, detailing the social costs of structural adjustment, sparking a broad debate on the Bank’s policies.\(^{54}\) It was in this context that the 1990–1 World Development Report (WDR), *Poverty*, was prepared, a report that sought to outline the Bank’s renewed strategy for tackling poverty.\(^{55}\) Despite its nod to some of the costs of adjustment for the poor, the 1990–1 WDR remained a product of the structural adjustment era. The report proposed a two-pronged strategy for reducing poverty: enabling the poor to use their principal “asset,” labour, more effectively, and increasing the productivity of that asset, through education, primary health care, family planning and nutrition.\(^{56}\) As the report points out, these policies are consistent with the objectives of structural adjustment, as they both seek to use labour more efficiently.\(^{57}\) The report includes a chapter on transfers and safety nets, but treats them as a peripheral part of the poverty reduction strategy designed primarily for those too ill, old or remote to participate in growth.\(^{58}\)

This structural adjustment-friendly approach to poverty held sway for some time, but it eventually came to be contested and replaced. The dynamics underpinning this shift were similar to those discussed above, with contested failures leading to a process of problematization and renegotiation, as policy-oriented economists and internal actors struggled to redefine both the problem of poverty and the way to respond to it.

Three key failures played a crucial role in precipitating the shift to a new poverty reduction strategy: the lost decade, the Asian crisis and the AIDS crisis. The persistence of poverty in regions including sub-Saharan Africa, in some cases despite growth in gross domestic product (GDP), challenged Bank economists’ assumptions about the straightforward link between growth and poverty reduction. The effects of the Asian crisis, including the sudden immiseration of huge swathes of the population that had achieved a reasonable standard of living, revealed how fragile income security could be. The devastating impact of AIDS in Africa as well as the proliferation of civil conflicts made it increasingly clear that poverty was linked to community-level or even nation-wide shocks. These events forced Bank staff to recognize the potential for unexpected events to disrupt development plans. If shocks played a significant role in people’s lives, then Bank staff needed to pay more attention to the vulnerability of poor people and take a closer look at ways of addressing it.\(^{59}\)

These events did not automatically translate into new poverty reduction strategies, but instead sparked an intense series of debates among
development practitioners and economists. These were the kinds of debates that might be called “hot” debates, following Michel Callon, as it was not only the question of how to reduce poverty that was up for grabs, but also far more fundamental questions about what counts as poverty, how to measure it, and the nature of the relationship between poverty and growth.\(^{60}\) Two debates in particular played a crucial role in redefining poverty at the World Bank and in the wider development community: one set of debates on the relationship between poverty and growth, and another on the social policies needed to respond to poverty.

By the late 1990s, a growing number of economists, at the Bank and elsewhere, were challenging assumptions about the benefits of neoliberal growth-oriented policies for the poor: they included Dani Rodrik, who called the growth versus poverty reduction controversy a “hollow debate,” as well as François Bourgignon, Ravi Kanbur, who was lead author on the 2000–1 WDR, and Joseph Stiglitz, then Chief Economist at the Bank.\(^{61}\) They pointed to the inconsistent relationship between growth and poverty reduction: as Bourgignon noted, the extent to which poverty could be reduced through growth was highly elastic, depending on domestic factors including the level of inequality.\(^{62}\)

Ranged against them was a group of economists committed to the belief that, as the title of one controversial article put it, “Growth is Good for the Poor.”\(^{63}\) Although Dollar and Kraay, the authors of this article, have since argued that they did not intend their paper to be seen as a manifesto for growth alone, they did set out to make a case for the virtues of neoliberal growth. Other Bank economists and a large number of IMF-based economists, as well as leading figures in the US Treasury, supported their position.\(^{64}\) Over time, a partial compromise was achieved around the idea of “pro-poor growth” – which became something of a mantra at the OECD and DFID: an approach that focused on the conditions in which growth produced reductions in poverty.\(^{65}\)

A second, less publicized, debate was also underway at this time among economists interested in social protection. Thinking in this area began to shift in the 1980s and early 1990s, following Amartya Sen’s work on famines, which showed that they are often the result of failures of social entitlements to food, rather than in the actual supply of food.\(^{66}\) Sen’s work influenced the growing literature on hazards and disasters, which focused on individuals’ vulnerability to their effects – a literature that also began to influence social policy thinking.\(^{67}\) These studies lead to social policy experts beginning to shift from social welfare to social protection as their organizing framework. In the process, they redefined the goals of social protection as more dynamic, not only designed to protect
individuals from poverty but also to prevent their falling into poverty and to promote their capacity to respond to risks.\textsuperscript{68}

Although contested failures and external debates played a necessary role in creating the conditions of possibility for new policies to emerge, the specific shape that they took also depended on the particular dynamics within the World Bank. In the end, the strategy of social risk became a way of moving the social protection agenda ahead without provoking too much opposition from more conservative elements within the Bank, and without straying from a market-oriented approach to development.

Within the World Bank, the Social Protection and Labor unit was the key advocate for redefining poverty as social risk. This unit is one of the newest at the Bank, created in 1996 to bring together pensions, labour market policy and safety nets under one roof. Robert Holzmann was hired as director of this new unit to lead the process of developing a strategy for the sector, and became a powerful driving force behind the idea of defining poverty in terms of social risk.\textsuperscript{69} The concept of social risk allowed its advocates to redefine social transfers as productive investments, increasing the relative importance of social protection within the institution. Although, as I will discuss in the Conclusion, these efforts met with resistance, they also achieved some success. As a later report on the effects of the social protection strategy notes:

Social protection (SP) is moving up on the development agenda. Dismissed as ineffective, expensive or even detrimental to development in developing countries, it is now increasingly understood that assisting individuals, households and communities in dealing with diverse risks is needed for accelerated poverty reduction and sustained economic and human development.\textsuperscript{70}

The focus on social risk and vulnerability was also a way of countering certain country representatives’ ambivalence about social protection. Many Executive Directors, including those from East Asia, saw pensions and safety nets as expensive luxuries. The focus on social risk and vulnerability reframed these expenses as investments.\textsuperscript{71} As Holzmann, the Director of Social Protection at the time, noted:

Social protection strategies were usually a headache to have to bring to the Board: everybody has an opinion and it tends to be an uphill battle (for every two countries, there are five opinions). We used risk management as an organizing framework to appeal to those not always supportive of social protection – those who focus more on efficiency. On the other hand, those who supported redistribution were okay with this approach.\textsuperscript{72}

Emphasizing social risk and vulnerability was a strategy designed to address the problem of poverty without provoking too much opposition. Yet its advocates did face some resistance from within the Bank’s
bureaucracy. Social protection was, after all, a new unit in the Bank; moreover, those economists with the most intellectual capital in the organization were those working for the Research Department and the poverty reduction and economic management (PREM) network, few of whom had any background in social protection. Holzmann notes that when he first explained the idea of social risk to Martin Ravallion, now the Director of Research at the Bank, he responded “Robert, this is rubbish.” Other staff saw the effort to redefine poverty as vulnerability and social risk as an attempt to take over other units’ territory – for example, those in PREM tasked with measuring poverty using other methodologies. Although the social risk framework ultimately gained influence through its inclusion in the social protection strategy (SPS) and the WDR, it was nonetheless contested within the institution.

The social risk and vulnerability framework

What form did this new conception of poverty as risk and vulnerability take? Although the fullest statement of the social risk and vulnerability approach is articulated in the SPS, it is useful to examine it together with the 2000–1 WDR, Attacking Poverty, which included social risk as one of its key concepts, because it allows us to compare it with the 1990–1 WDR discussed earlier.

In contrast to the unabashedly neoliberal tone of the 1990–1 WDR, the 2000–1 report is a much subtler document. The three main “pillars” of the WDR strategy are opportunity, empowerment and security. “Opportunity” bears the most resemblance to the earlier report, as it is focused on “making markets work better for poor people.” Yet much of the analysis in the more recent WDR, as well as in the SPS, focuses on the ways that markets can fail poor people if they are not managed effectively.

One way of resolving such market failures is by focusing on increasing poor people’s “security,” which the 2000–1 WDR authors define as reducing their vulnerability and increasing their ability to cope with risks and shocks. The concepts of security, risk and vulnerability are closely related:

In the dimensions of income and health, vulnerability is the risk that a household or individual will experience an episode of income or health poverty over time. But vulnerability also means the probability of being exposed to a number of other risks (violence, crime, national disasters, being pulled out of school). The report spends a significant amount of time describing the different risks that poor people face. It maps out the different sources of
risk – economic, political, environmental, health – as well as the different levels of society that they affect. In both the WDR and the SPS, Bank staff identify two different kinds of risk: idiosyncratic risks that affect individuals or small groups, such as job loss or illness, and covariant risks that affect a larger group simultaneously, such as environmental, political and health crises.\(^{81}\) Of course, poor people are not at the mercy of risks and have their own coping mechanisms. In fact, the second pillar of the 2000–1 WDR, “empowerment,” focuses on ways of engaging poor people more actively in the management of their economic situation.

Where the 1990–1 WDR did discuss the problem of shocks, it emphasized the importance of informal and market-based mitigation strategies for all but the most vulnerable.\(^{82}\) The 2000–1 report, in contrast, because of its focus on risk in general, and covariant risk in particular, raises doubts about that strategy: large crises tend to undermine informal efforts, since everyone is affected simultaneously.\(^{83}\)

Reconceptualizing poverty as social risk and vulnerability has had a concrete effect on World Bank development practices: over time, policies in each of the three areas covered by social protection – labour, pensions and safety nets – have been reframed around risk and vulnerability. In the labour market sector, for example, thinking at the Bank has shifted away from the belief that macroeconomic stabilization and liberalization are sufficient to ensure labour market access by the poor.\(^{84}\) Bank staff now argue that the various informal and private mechanisms that poorer people use to respond to shocks (e.g. taking children out of school to work), can lead them to under-invest in their human capital: “Thus, public intervention is needed.”\(^{85}\) Another new social protection policy initiative with clear affinities with the social risk approach is the conditional cash transfer (CCT) strategy. Although CCTs were not invented by the Bank, they are now seen as a useful way of managing social risk.\(^{86}\) CCTs are funds provided to poor households on the basis of certain conditions – usually that they keep their children in school and send them for regular health checkups. The cash transfers thus provide two ways of managing risk: in the short term, they provide funds to help cope with shocks, while in the longer term they seek to foster a population that is healthier and better educated, and thus able to manage future risks more effectively.

**Changing governance factors**

Just as we saw in the vulnerability assessment policies discussed above, this new conception of poverty as social risk puts the dynamic and changeable character of its object front and centre. The 2000–1 WDR is illustrative:
As traditionally defined and measured, poverty is a static concept – a snapshot in time. But insecurity and vulnerability are dynamic – they describe the response to changes over time.\textsuperscript{87}

Reconceptualizing poverty as dynamic happened in part because of technical developments: as researchers began to categorize the poor into two groups – the “always poor” and the “sometimes poor” – they rapidly realized that the second group was quite large.\textsuperscript{88} Rather than assuming that the poor and the non-poor were static categories, it therefore made sense to try to measure the movement of people into and out of poverty, as well as to investigate what was driving that movement.

Conceptualizing the poor as mobile transforms poverty from a state of being into a process. This is a new ontology of poverty: it radically transforms the object of development policy. (To borrow a metaphor from physics, this is like changing our image of the electron from a particle into a wave.) This more dynamic conception of poverty also involves a different idea of time. An individual’s or a community’s vulnerability is something that develops over a long period of time; efforts to reduce it must also take a long view. Coping with risk is a short-term challenge; mitigating and even preventing risks requires longer-term planning. In some ways, this extension of the time horizon merely deepens the trend in development thinking towards focusing on human capital in the form of education and health. Yet the emphasis on risk and vulnerability adds a further dimension to the reconceptualization of time, in its emphasis on the unpredictability of the future: the future becomes an uncertain territory filled with hazards, shocks and risks.

**Small “i” ideas**

This new approach to poverty as social risk is underpinned by new institutionalist economics. From the late 1980s until the mid-1990s, more narrowly neoclassical schools of thought dominated macroeconomic thinking at the Bank and the Fund. These theories assumed perfectly efficient markets and rational individuals, and generally concluded that most governmental interventions in the economy were counterproductive. As I discussed in Chapter 4, although institutionalist economists remain within the neoclassical tradition, they focus on what causes market failure. Rather than assuming that market-based solutions are necessarily the most efficient, institutionalist economists emphasize the centrality of institutions in reducing transactions costs and making markets work better.

Both advocates of pro-poor growth and of the new approaches to social protection see poverty as a sign of market failure: the fact that poor people do not have access to the benefits of the market, such as credit...
and jobs, is an indication that the market is not working properly. Even with increased growth, distortions in the market may persist, making it unlikely that growth alone will reduce poverty. Viewing poverty in terms of market failure legitimizes poverty reduction efforts as central to broader economic development: making markets work better for poor people also ensures that markets work. New institutionalist insights thus allow development experts to dig deeper into the causes of poverty without challenging the underlying liberal assumption that the market is the ultimate solution.

**Techniques**

Reconceptualizing poverty as a process in time also enables (indeed requires) a new set of proactive governance techniques. It becomes necessary not only to identify those most vulnerable, but also to discover the greatest risks that they face, and develop strategies to deal with shocks long before they have occurred. Those seeking to redefine the Bank’s SPS in the late 1990s discovered that a new conceptual framework was needed which moves SP [social protection] from a definition by instruments (such as social insurance) to a definition by objectives (that is assisting in risk management); from a traditional focus on ex-post poverty to ex-ante vulnerability reduction; from seeing SP in our client countries largely as safety nets to conceptualizing them as spring boards.³⁸

This new conception of poverty as risk required new measurement techniques – and new ways of translating those measurements into useful inscriptions for policymakers. Among the key techniques that the Social Protection staff developed for this task were the risk and vulnerability assessments (RVAs). Between 2000 and 2007, World Bank staff undertook 132 country-specific RVAs.³⁹ These assessments sought to deliver a comprehensive picture of potential shocks, government, market and community actors’ vulnerabilities, and their current risk management strategies. In theory at least, this four-dimensional map (time is also a necessary factor) can be used to develop more nuanced, targeted interventions to alter the movement of people into and out of poverty.

The examples of social protection policies discussed above all seek to engage more proactively with the target populations, to promote the right kind of practices and to pre-empt undesired outcomes. Hence labour-market policy is no longer only focused on reducing barriers to labour-market flexibility (the classic neoliberal strategy), but is also increasingly focused on fostering a better-trained, more work-ready population.³⁹
Actors

Poor individuals themselves are one key group of actors who are now more directly enrolled in managing risk. The social risk framework not only treats poverty as a more dynamic phenomenon but also views the poor themselves (or at least some of the poor) as more active participants in reducing poverty. The goal is to provide them with resources and incentives to prepare for and prevent risks (through better education, small accumulations of savings, etc.) and to manage risks more effectively when they do occur (e.g. not remove their children from school).

Poor individuals are not, however, the only actors in this new approach to reducing poverty. The policy also seeks to enrol government, civil society and private sector actors into the process of managing social risk. The prevalence of covariant risks that affect a broader population simultaneously, and the problems of market failure, mean that individual and market-based risk management is not enough. While there is therefore a role for the public sector, the government is seen primarily as a means to “supplement” existing private and individual risk management strategies rather than replace them.

In an ideal world with perfectly symmetrical information and complete markets, all risk management arrangements can and should be market-based (except for the instruments protecting the incapacitated). However, in the real world, all risk management arrangements will play important roles that are likely to change over time.

Who are the actors involved in these various “risk management arrangements”? New institutionalist economics provides a particular lens for understanding and engaging with both institutional and individual actors – one that blurs the boundaries between public and private, state and market, and that sees them largely through the lens of service provision. These actors are both public and private (and sometimes both at once): they are private sector actors providing insurance; they are individuals and families demanding protection and developing new forms of self-insurance; they are actors at various levels of government providing traditional forms of social protection; and they are NGOs, acting as service providers and as advocates for better risk management. What matters is not where they are, but what they do.

The social risk framework reconceptualizes the relationships among these actors through a range of different market-based metaphors, such as competition, supply and demand:

Social protection should contribute to a better match between the supply and the demand of risk management instruments. There are many suppliers of social risk management instruments, such as individuals, households, communities,
non-governmental organizations, financial markets, governments at different levels, bilateral donors, and international organizations.96

As one passage from the 2000–1 WDR notes, “This is not an issue of the state versus the market, but of the use of different agents and mechanisms depending on the type of activity.”97 These heterogeneous social actors are represented in very similar terms as parts in a larger, more social or even political kind of market mechanism, in which individuals, NGOs, communities, IOs and others can act as a source of demand for risk management, as well as being sources of its supply.98

**Power and authority**

The techniques involved in managing risk and vulnerability rely as much on productive as on exclusionary forms of power. The goal of this kind of policy is not just to reduce poverty, but also to constitute a new kind of low-income individual, better capable of managing risk and thus able to gain and sustain a better quality of life.99 Bank staff are themselves keen on the productive and proactive aspects of this new poverty-reduction framework.100 In their 2009 review of social protection, staff note, “The productive, as opposed to the redistributive, role of safety nets is becoming more recognized.”101 Moreover, the concept note and the consultations for the new 2012–22 SPS places even more emphasis on the importance of promoting more resilient communities and individuals.102

Risk is a category rather than a thing: it is a way that we make the world calculable in particular kinds of ways. Risks are beyond our control and yet also very much subject to our understanding: a risk by definition is something that can be understood through a logic of probability (as opposed to uncertainty, ambiguity and other kinds of indeterminacy).103 Risk-based policies are well suited to the productive application of power, particularly in the context of a market economy, in which risk is never viewed as an entirely bad thing. According to the World Bank, risk is an essential tool for understanding poverty, not only because shocks can wreak havoc with efforts to raise incomes (risk as a bad thing), but also because as poor people find themselves with fewer tools for managing risks, they are less likely to undertake riskier activities, and thus forgo the potential gains that they might make (risk as a good thing).104 Risk is thus understood as a double-edged problem: it is not universally bad, but needs to be both mitigated and exploited through careful policy interventions.

As with the policies discussed earlier, the social risk framework relies on a combination of expert and popular authority to underpin its legitimacy. It is not just IFI experts or government bureaucrats who are responsible for applying this new understanding of social risk, but rather
a range of public and private organizations, and the poor themselves, who
are to take on a more active role in reducing their vulnerability and
managing risk. We therefore see a similar process of distributing both
expert and popular authority to a wider range of “capable” actors as we
witnessed in the debt vulnerability assessments discussed above.

The fact that these forms of power are productive does not make them
any less exclusionary, however. As a number of social policy analysts have
pointed out, even as the social risk framework engages a wider range of
poor people in the process of managing risks, it also tends to neglect those
less capable of such active self-governance, leading policymakers to
downplay the problems of the chronically poor. The strategy’s
emphasis on shocks also leads staff to de-emphasize subtler sources of
vulnerability, such as those associated with gender, class, ethnicity or
other more structural fault-lines. More fundamentally, the frame-
work’s tendency to define poverty in absolute rather than relative terms
downplaying inequality) and to view poverty reduction as a “win-win”
policy, means that more politically difficult, structural solutions to
poverty tend to get short shrift. While these new policies on risk and
vulnerability may take a less direct approach to their objects, they are
therefore no less powerful in their effects – both intended and unintended.

A more provisional kind of governance

It is not just the increasing emphasis on risk but, more importantly, the
new focus on the problem of vulnerability, that indicate the rise of a more
provisional style of governance among IFIs today. Many of the patterns
that I have discussed in this chapter echo the broader trend towards a risk
society or the governmentality of risk that scholars such as Ulrich Beck,
Mitchell Dean and Nikolas Rose have explored. My study has revealed
an increasing preoccupation among IFI actors with calculating, cata-
loguing and trying to manage the various dangers and possible unknowns
posed by the modern world. It has also revealed the increasing reflexity
of IFI actors about the problem of uncertainty, as Beck and Dean have
noted in their work, and a growing reliance on individuals’ and commu-
nities’ responsibility for self-governance, as Rose has discussed.

Why, then, talk about the turn to a more provisional form of govern-
ance rather than simply reading this as another example of the govern-
mentality of risk? The two insights are not mutually incompatible. Yet,
I want to argue, the shift by IFI actors from risk to vulnerability points to
a more equivocal and less confident approach to governance than that
suggested by much of the risk literature. Part of what makes risk such an
appealing concept for policymakers is its promise to make indeterminacy
calculable. Risk managers tell us that they may not know what will happen exactly, but they can at least tell us the likelihood of certain things occurring. Confidence in this kind of quantitative risk assessment was challenged in recent years by the failure to predict 9/11 and the global financial crisis. Quantitative risk management techniques remain popular but they have now been supplemented by more imaginative processes, like the scenario analyses discussed in this chapter, which seek to imagine and prepare for various “worst-case” situations.108

The new policies examined above point to a second way in which the confidence of traditional risk management has been undermined: through increased focus on vulnerability. Risk and vulnerability are both ontological concepts that encourage their users to see the world differently: as less stable and more prone to shocks and uncertainties. Yet the ontological character of vulnerability is different from that of risk. When IMF and World Bank actors use the concept of risk, they treat it as something “out there” in the form of exogenous shocks or opportunities to be seized. Vulnerabilities, on the other hand, are imagined as lying deep within countries and individuals. They are the inner weaknesses that determine how we react to shocks. The concept of vulnerability is thus both useful and unsettling from the point of view of organizational experts. It is useful, because it allows IFI staff to develop better models of the likely effects of given shocks. But vulnerability is also an unsettling concept because it acknowledges the essential fragility of individuals and countries. Moreover, because it turns out that the various sources of vulnerability are profoundly political and social – linked to institutional quality and social inclusion – such fragilities are difficult to fix through conventional economic expertise.

There is thus an aporia at the heart of these new efforts to govern risk and vulnerability: indeterminacy persists at the very source of the efforts to manage it.109 Despite the veneer of confidence that we find in many IFI documents about their capacity to measure and manage these more pervasive unknowns, there exists an underlying sense of unease, a partial if unconscious recognition of the sheer magnitude of the challenges involved. This unease, in turn, underpins a more provisional approach to governance.

This provisional governance strategy is explicitly focused on the problem of failure. The shocks of the 1990s and 2000s led policymakers to recognize that the volatility of the global political economy meant that failure was always a possibility. The best that could be hoped for was the more effective management of risks and vulnerabilities – a strategy that keeps one eye on the possibility of failure, all the while seeking to prevent or mitigate its worst effects.
One of the key features of these new governance practices is their attempt to act pre-emptively and proactively – to stay one step ahead of this more volatile world. For example, the vulnerability exercises seek “to strengthen the staff’s capacity to spot vulnerabilities and flag potential pressure points in LICs arising from external triggers before they materialize.”\textsuperscript{110} Similarly, social risk management aims to shift resources towards ex-ante measures focused on preventing and mitigating risks, rather than relying on more costly efforts to cope once the risks have occurred.\textsuperscript{111} The techniques and forms of power that the IFIs use to achieve these ends, moreover, are increasingly indirect in form. There is less emphasis on formal conditionality and more focus on constituting the right kinds of risk-bearing individuals and governments, and of creating the conditions necessary for them to take on governance tasks themselves.

Many of the techniques used to foster this kind of self-governance, moreover, are highly symbolic: the goal is not simply to use risk assessments to inform concrete domestic policies, but also to use the signalling power of various country risk scores, like the debt sustainability analysis ratings, to change investors’ and countries’ behaviour. Yet these scores are massive oversimplifications of highly complex phenomena. They often rely heavily on other, equally contestable, rankings such as the CPIA. A series of considerable leaps of logic is thus involved in these scores. And while all of these rating systems seek to black-box their many assumptions, they are still vulnerable to criticism. As I will discuss further in the Conclusion, the methodological assumptions underpinning the social risk framework and the various vulnerability assessments remain the subject of considerable contestation within as well as outside the IFIs.

Those involved in developing and defending efforts to manage risk and vulnerability, moreover, are often quite aware of such problems, producing a more cautious kind of governance and a tendency to try to hedge against the possibility of failure. Such an approach is particularly clear in documents on the IMF’s vulnerability assessment exercise, which is the most ambitious of the risk-management policies. The staff note:

The exercise does not aim to predict the timing of crises or acute economic distress. Past attempts at crisis prediction have a mixed record at best. The exercise instead strives to flag the underlying vulnerabilities that predispose countries to economic disruption in the event of external shocks.\textsuperscript{112}

These policies thus support Niklas Luhmann’s contention that risk management is a form of expertise that seeks to inoculate itself against failure; by recognizing the ever-present chance of failure, and by avoiding making any definitive predictions, risk managers are able to promise better chances of success, all the while hedging against the possibility of failure.\textsuperscript{113}
Together, these efforts to manage risk and vulnerability constitute a more provisional form of governance – one that is always aware of the possibility of failure, that seeks to pre-empt and prevent it, often indirectly, but that is forced in the process onto increasingly symbolic and fragile methodological terrain, and as a result becomes ever more cautious in its governance efforts. Underlying this more provisional approach to governance is the *aporia* I discussed above: an awareness of the fragility of all claims to knowing such profound unknowns. In fact, all three of the new strategies discussed so far in this book rely on a set of methodological gambles on their ability to measure and evaluate highly complex processes like ownership, good governance, vulnerability and risk. The final strategy that I will examine seeks to tackle this problem of measurement head-on, and to develop a new epistemology of development finance: one that hinges on the possibility of measuring something called “results.”