A notable characteristic of development theory and practice during recent decades has been that of reinvention in response to earlier failures. Crafting and diffusing changing visions of development has been one of the tasks of international institutions such as the World Bank, the regional development banks and the IMF. The most persuasive addition to the current discourse on development is ‘good governance’, largely founded on the recognition that strong and accountable institutions grounded in a sound market economy are fundamental to equitable development. Good governance is now central to academic and policy debates concerning the relationship between state, markets and civil society. There is an excess of material focusing on the ways in which local governance institutions are changing combined with those analysing the global forces behind these changes. From the perspective of IFIs, good governance is presented as a technical project to discipline the role of the state in developing economies. In the World Bank’s own definition, governance represents the process by which authority is exercised in the management of a country’s economic and social resources for development, and the capacity of governments to design, formulate and implement policies and discharge functions (Boeninger 1992: 3). While the importance of the political dimension is recognized in the governance discourse of the World Bank, and in fact of most multilateral agencies, in practice, advancing governance goals have often been restricted to the economic boundaries of their mandates. In fact, the neoliberal understanding of the role of the state attempts to correct the ‘political’ bias in economic intervention. Good governance, therefore, becomes a synonym for solid, responsible development management in the direction of social relations and efficient markets, especially
in avoiding misallocation of resources and corruption in politics and administration.

While policy-makers and academics agree that good governance is important for development, there is less agreement on how good governance reforms, as promoted by the IFIs, have impacted on democratic governance in developing countries. Joseph Stiglitz, former Chief Economist of the World Bank, for instance, has acknowledged the disastrous effects of advancing technical understandings of governance on developing countries. While good governance is associated with a normative of participation, ownership and transparency, reforms promoted under this umbrella have in fact been highly contradictory – at times rather anti-democratic. Even so, as recent developments in the political economy of emerging countries demonstrate, development is essentially political – in particular, governance for development (Boeninger 1992). As a development project, governance reforms involved designing and modifying institutional arrangements that are entrenched in the socio-political fabric of any society and thus require a great deal of legitimacy and local knowledge. The politics of governance thus means that advancing such reforms involves more than technical definitions and best practices. The ways IFIs deal with this aspect requires closer inspection.

To analyse the inherent contradictions between technical and political approaches to development, and between general ‘one-size-fits-all remedies’ and the complexities of context, politics and change, this chapter considers existing discussions on power, compliance and policy change in international politics within the field of IR and IPE. It elaborates a framework that combines theories of critical IPE and actor-oriented models of policy-making, in particular the literature of policy transfer and networks in an attempt to bridge macro-level explanations of power in the global economy and conceptual models of policy-making focusing on empirical questions on the dynamics of power relations involving external and local actors, resources and policy outcomes. In agreement with the critical analysis in IPE, this study suggests that power emerges out of the ensemble of relations and configurations of networks of actors within a political and economic context and concomitant ideologies. As such policy change should be analysed as multiple spaces of contestation in which competing interests, incentives, material and ideological capabilities affect policy outcomes. Yet, spaces of contestation can also become areas of policy engagement and even platforms for the local actors to dispute the global rule. This perspective thus directs the attention to the centrality of organizations