

**THE BUSINESS OF GOOD GOVERNANCE:  
A Peek into the Good Governance Policy of the ADB**  
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I. India and good governance

In most discourses in development, governance is the most saleable and talked about concept. International Financial Institutions (IFIs) consider public sector management, transparency, legal framework, accountability and information as the major components of governance.

Good governance has been a long sought after objective in all Asian value and political thoughts. (Kaninen, 2005). In India, a country considered to have the largest number of poor people in the world and which likewise ranks high on the list of most-corrupt nations (Binu, 2005), efforts towards good governance is imperative. This may involve fighting corruption, improving bureaucratic and political accountability, and promoting people's participation and public-private partnerships. Likewise, good governance is a non-negotiable dimension of a well functioning democracy, and is intended to protect and uphold the constitutional rights of citizens, prevent abuse of power by those who hold power. It also offers appropriate legal redress and compensation to victims of power abuse.

Any government cannot claim to have democratic processes unless it is fully accountable to its people and conducts its business in a transparent manner. Good governance is therefore about the greater satisfaction of the greater number of people by ensuring - transparency, accountability, tolerance of opposing views, respect for human rights in general and the rule of law (Augie, 2004).

II. ADB and governance

For the Asian Development Bank (ADB), good governance will considerably enhance the total developmental impact of their assistance program to developing countries. ADB's strategy towards effective governance has four key (4) elements, which include: fiscal consolidation at the central government level; policy reforms combined with capacity building for better service delivery in some sectors; interventions to strengthen state and local governments; and interventions such as reform in the administration of justice (ADB, 1998).

The ADB defines governance as Sound Development Management. This is defined as the manner in which power is used in the management of a country's economic and social resources for development. It is about the quality of involved institutions to make, implement and enforce sound policies in an efficient, effective, equitable and inclusive manner (ADB, 1998).

According to ADB's Governance Policy, there are four (4) elements of good governance - accountability, transparency, predictability and participation. Moreover, the government has to address all four elements of governance in an integrated manner to achieve sustainable development outcomes (ADB, 1998).

### III. ADB's efforts towards Good Governance

In accordance to its Governance Policy, the ADB has approved several projects related to Good Governance. These projects fall under two (2) sectors: Law, Economic Management and Public Policy; and Finance. Currently, under the Law, Economic Management and Public Policy, there are five (5) projects for India, which amounts to US\$850 million (ADB, 2005). The projects under the Finance sector got a bigger share in the financial pie given by the ADB. The ADB has 11 projects with India related to this sector. And this amounts to US \$1.36 billion.

ADB support to India includes projects related to budgeting and tax administration, public enterprise reform, promotion of private sector participation, and capacity building of key local government bodies, establishing an enabling environment including depoliticization of tariff setting and regulatory framework, improving corporate governance, comprising institutional and management aspects such as appropriate procedures for selection of management, enhanced accountability, and performance-based incentives (OECD, 2005).

### IV. Good governance: For whom?

India is considered "a priority destination" for ADB's private sector operations. Direct investments have been continuously increasing significantly since 2003. Moreover, according to the ADB, private sector investments and public-private partnerships would continue to focus on infrastructure and the financial sector (ADB, 2005).

Although policy-based lending has been the forte of institutions like the ADB, they have shifted their focus subtly to emphasize governance and fiscal consolidation issues as part of their country assistance program to ensure value for the money they provide. The financial assistance packages of IFIs like the ADB involve a push towards good governance as part of their aid packages. While good governance components in their financial aid undoubtedly has benefits for the public in developing countries, these components are specially relevant to the interests of transnational companies seeking to do business in developing countries where the prevailing rules of doing business favored local players.

Many issues in India are related to the role and functions of the local governments. However, little public or civil society consultation has been done in drafting plans related to such. Instead, there has been very intense lobbying by the private sector, especially from international and domestic real estate consultancies, financial institutions, and industry confederations. An undesirable consequence of these selective inputs is that the interests of these players have been turned into conditionalities within the urban reform agenda. In line with the conditionalities, the ADB, along with the World Bank and the State governments, are initiating a myriad of urban development projects. As long as there is need for mammoth investment to meet both physical and social infrastructure, multilateral institutions such as the ADB have a key role to play in influencing national policies through their conditionalities.

The ADB policy of Good governance promotes Special Purpose Vehicles (SPVs) like KUIDFC that centralizes the decision-making processes. The elements of good governance (accountability, transparency, predictability and participation), as propagated by the ADB, is misleading the public, as the ADB policy reforms vehemently promote these elements to benefit only the private sector.

The ADB policies and the projects are changing the constitutional mandates of governments from being 'provider' to 'regulator,' thus seeing the local self governments as agencies to deliver services. The SPVs are promoted to centralize the decision-making process and the urban local self-governments are pushed as 'service delivery agencies.'

The ADB policies and action envisage a framework that reduces the role of constitutionally mandated local governments, denying the constitutional rights of citizens and facilitating the rules & regulations that favor private and the investments of the Bank. ADB's operations in the different countries in the region have been marked by lack of public accountability, poor governance and massive corruption. ADB projects have undermined national and local governance and in many instances, and has resulted in the violation of human rights among communities affected by ADB projects. Policy conditionalities that come with the ADB financial packages have greatly influenced national democratic processes. ADB's generous support for private sector development and the privatization of public goods and services have resulted in the transfer of collective societal wealth and assets into the hands of multinational corporations and the few elites.

The ADB is providing technical assistance for comprehensive fiscal reforms in several states in India. In 2002, Chief Minister A.K. Antony of Kerala announced that the Central government and the State had signed a preliminary agreement with the ADB regarding the first phase of ADB's proposed financial assistance to the State for fiscal and power sector reforms and for the "modernization" of the government. This caused alarm for the civil society, especially since the government refused to clearly explain the implications of the ADB assistance for the people of the State (Krishnakumar, 2002).

The government has remained mum about the terms of the agreement with the ADB. It also failed to address the concern that the conditions put forth by the ADB would force the government to revert to the pro-poor, social welfare policies that the State had been following for the past several decades. It likewise failed to counter allegations that its policies regarding public sector undertakings and key sectors, where the State had recorded impressive achievements would be turned upside down to satisfy the Bank's conditions (Krishnakumar, 2002).

#### V. No to ADB-driven governance!

If governments will support ADB-driven governance, it would culminate in social divestment and a commodification of critical sectors, thereby hitting vulnerable sectors the hardest.

To rectify these impacts, the civil society must push the government to withdraw from ADB financial packages with these kinds of conditionalities. Instead, the government must look into internal resource mobilization which would liberate the state from its commitment to the high-conditionality ADB loan.

The key to building genuine democracy is the existence of strong, viable and assertive civil society. Popular participation leads to the creation of a strong civil society with a keen awareness of their rights and responsibilities. The people's participation provides the opportunity for them to make their own history, by articulating their views, by expressing their feelings, and ultimately, by making their demands to the government (Augie, 2004).

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