

**PAVING THE WAY:  
For Development or Disempowerment?**  
A look into the ADB and India's Infrastructure Environment  
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I. Building blocks in India

Infrastructure development has traditionally been the role of the government. However, over the past years, the private sector participation has been increasingly pushed. Debates likewise ensued on which kind of infrastructure should be given by the government and by the private sector. Concerns were raised since privatization of infrastructure is not simple as there is no social aspect to it (MBA Review, 2005).

Though infrastructure is defined as the basic facilities, services and installations needed for the functioning of a community or society (transportation and communication, water and sanitation, and public institution), the concept has evolved to include agriculture, food, public health, emergency services, defense industrial base, information and communication, energy, banking and finance, chemical industry, postal and shipping services (MBA Review, 2005).

India embarked into a reform program, with a shift from a controlled to an open market economy. However, decades of development planning have been unable to ensure a decent living for a large number of people, especially in the rural communities. Despite many large scale rural development schemes, the number of people in poverty has not declined substantially (MBA Review, 2005). Lack of or inadequate basic infrastructure, both social and physical, continues to remain a major constraint to progress in numerous rural communities.

The reforms did not result to major improvements since there are basic infrastructure constraints, both physical and human. So far, the bulk of infrastructure was in the public sector. Public sector in India operating in a protected set up has been largely subsidized by the government. Since the launching of reform, the government is still trying to reduce its borrowing. This implies that further subsidization will not be possible, therefore relying on the private sector participation for much needed services.

II. ADB in the Forefront

The ADB claims that the lack of funding is holding up a large number of power, roads, railways and telecommunications projects in India. Further, it claims that if the country is to meet its projected growth targets, its investment in infrastructure has to increase.

Therefore, the ADB has agreed to take a US\$15 million equity stake in the Infrastructure Development Finance Company (IDFC), a specialist financial institution which will channel funds into India's infrastructure development (ADB, 1998).

The IDFC aims to attract private investment funds and urge the Indian government to remove further obstacles to inflows of private capital. It likewise aims to attract funds by

establishing a high credit rating for itself, mitigating investment risks and lengthening payback periods for loans. The ADB hopes with the help of IDFC, a clear business plan and support of the business shareholders, they would use the same model to other countries in the region (ADB, 1998).

### III. ADB in India's infrastructure

According to the India Country Strategy and Program (CSP) for 2005 to 2007, the ADB will give a total loan assistance of US\$6.47 billion for the whole period, with an average annual lending of US\$2.1 billion. Moreover, India is considered a priority destination for ADB's private sector operations, with direct investments increasing significantly. The ADB said that private sector investments and public-private partnerships would continue to focus on infrastructure and the financial sector (ADB, 2004).

As of last year, India's outstanding debt to the ADB, including public and private sector loans, amounted to US\$2.3 billion. This comprises 10% of ADB's total debt outstanding. According to projections, the programmed level of assistance will raise ADB's India exposure to about 18% by 2007 (ADB, 2004).

With the existing and pending loans from the ADB, India may emerge as the biggest borrower country of the ADB, even overtaking China. The ADB has cumulatively lent close to US\$15 billion to various projects in India. Moreover, India has received in 2004 ADB grants of US\$18 million for hiring consultants. That makes India the fourth largest recipient of the grant, after the US, the UK and Australia (Ramesh, 2005).

Currently, there are more than 40 ADB infrastructure projects in India. These include 23 projects related to transportation and communications, and 17 projects related to water supply, sanitation and water management (ADB, 2005). Infrastructure projects are not limited to roads and buildings. It also includes other sectors like agriculture, water, health and housing.

India's northeast region is one of the areas where the ADB is pronounced and one can see the bank's extent of lending. For the ADB and other IFIs, physical connectivity and infrastructure is the key to trade links, therefore, cross-border transport agreements have been signed and existing road links are being upgraded in the Mekong region, an area which the ADB supports fully. Manipur in India's northeast region will be linked up with Burma so that India can access the transport corridor from Burma through Thailand, to the rest of the Mekong region (CII, 2005).

Even with the controversies over the inclusion of foreign experts in the planning bodies, the two multilateral funding agencies, the ADB and the World Bank, released their Country Strategy Programs for India, unequivocally expressing commitment to financing development projects.

### IV. Risks in infrastructure

The usual problems brought about by infrastructure projects include land encroachment, displacement and resettlement issues. Many families and communities are often disempowered since genuine consultation and participation is not practiced both by IFIs like the ADB, and the government as well. Other issues include environmental and social costs

and impacts, especially those resulting from hard infrastructure projects such as those related to transportation projects.

Moreover, the risks are very real. All infrastructure projects and interventions would not pump prime the economy and alleviate poverty if there exist dysfunctional bureaucratic controls, inertia and corruption. These, among governance issues are important impediments to growth.

#### V. Ensuring empowerment over development

There is little logic to the argument that because the government had failed massively in terms of provision of services, there is no alternative to the private sector for the basic rural infrastructure services (Das, 2002). The state need not fail massively. This should not be the framework since the government is expected to provide the above mentioned services.

It is a fallacy that private sector participation can adequately provide the solution to poverty which the government fails to provide. Social aspects in privatization are most often pushed in the backseat.

Genuine development should always be coupled with empowerment. Projects, programs and other interventions should all aim to reduce poverty, make lives better, while sanctioning real choices to the people.

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