A Discussion Paper on Aid and Good Governance

Kavaljit Singh

In recent times, the terms 'governance' and 'good governance' have become buzzwords in the development discourse. Strong arguments have been proffered from various quarters that without 'good governance' structures, the poor and the developing countries cannot achieve economic growth or reduce poverty. Bad governance is being increasingly viewed as the main cause behind all ills confronting these societies. By linking governance as a conditionality for development aid, the international donor community has foregrounded governance issues.

Pushed by powerful international financial institutions, 'good governance' has become the cornerstone of development cooperation. The World Bank, in particular, has been a leading votary of 'good governance.'[1] Nowadays it is difficult to come across aid packages of multilateral financial institutions and bilateral donors that do not use the term 'good governance' and contain 'governance' conditionalities. There have been several instances in the past few years where aid packages have been suspended on account of "poor governance." Sierra Leone, Cameroon, Haiti, Fiji, Liberia and Zimbabwe are recent examples. Several transnational corporations (TNCs) and international fund managers have also pulled out from countries (for instance, Burma and Malaysia) which they perceived as "poorly governed." To examine the shift in the policies of international aid community, particularly of the international financial institutions (IFIs), towards 'good governance' both as an objective and a precondition for development aid, let us begin by defining the concept of 'governance.'

Defining 'Governance' and 'Good Governance'

Notwithstanding popular usage of terms 'governance' and 'good governance,' these are not amenable to precise definitions. The development aid community is yet to adequately define the contours of 'governance' and 'good governance.' 'Governance' may imply different things to different people who have very little in common in terms of their worldview, ideology and class status. From NGOs and community organizations to powerful states and multilateral institutions — all swear by governance. The grounds for supporting 'governance' are as diverse as their avowed proponents. As a result, one finds that a variety of definitions, often at cross-purposes, are being used to describe 'governance,' thereby further confounding the concept.

Technically speaking, the term 'governance' has been derived from the Greek word, *kybernan*, meaning

[1] It is important to stress here that the World Bank is not the only multilateral aid agency promoting 'good governance.' Other important multilateral and regional developmental agencies actively promoting governance issues include IMF, UNDP, OECD, EBRD, etc. For instance, the Asian Development Bank was the first regional development bank which adopted an official 'governance' policy in 1995. In addition, a host of bilateral donors [for instance, the US Agency for International Development (USAID), the British Department for International Development (DFID) and the Swedish International Development Cooperation Agency (SIDA)] spend millions of dollars each year to support 'governance' related programs in several third world countries. Many of these bilateral donors have also constituted special units to coordinate their governance-related activities. Unfortunately, the governance agenda of bilateral donors continues to be set by the IFIs. Private foundations are also not lagging behind. For instance, the Open Society, founded by financier, George Soros, is actively promoting democracy and governance related projects in Central and Eastern Europe.

"to steer and to pilot or be at the helm of things." *American Heritage Dictionary* (2000) defines governance as "the act, process, or power of governing." Put simply, 'governance' means the process of decision-making and the process through which decisions are implemented. The concept of 'good governance' conveys the qualitative dimension of governance. Attempts to define what constitutes good or bad governance have failed in the past because concepts and processes of 'governance' vary from country to country. For instance, what is considered corrupt practice in one country (for instance, insider trading, tax evasion, money laundering, etc.) may be considered as normal business practice in another. Due to lack of precise definition, the debate over the use of term 'governance' instead of government remains inconclusive.[2]

In World Bank's definition, 'governance' encompasses the form of political regime; the process by which authority is exercised in the management of a country's economic and social resources for development; the capacity of governments to design, formulate and implement policies and discharge functions. The Bank has defined 'good governance' with six main characteristics:

Box 1: Leading Voices on 'Governance' and 'Good Governance'

"Governance is the manner in which power is exercised in the management of a country's economic and social resources for development. Good governance … is synonymous with sound development management." — **World Bank and Asian Development Bank**.[3]

"The term governance, as generally used, encompasses all aspects of the way a country is governed, including its economic policies and regulatory framework. Corruption is a narrower concept, which is often defined as the abuse of public authority or trust for private benefit. The two concepts are closely linked: an environment characterized by poor governance offers greater incentives and more scope for corruption. Many of the causes of corruption are economic in nature, and so are its consequences – poor governance clearly is detrimental to economic activity and welfare." — **IMF**.[4]

"Good governance means ruling justly, enforcing laws and contracts fairly, respecting human rights and property rights, and fighting corruption. Encouraging economic freedom means removing barriers to trade with neighbors and the world, opening the economy to foreign and domestic investment and competition, pursuing sound fiscal and monetary policies, and divesting government from business operations. Economic freedom also means recognizing that it is the private sector that creates prosperity, not central planning or bureaucracies." — **Paul O'Neill**, till recently Treasury Secretary of the US.[5]

"Open, democratic and accountable systems of governance, based on respect for human rights and the rule of law, are preconditions for sustainable development and robust growth" — **G8**, Final Communiqué, 2001.

---

[2] Some analysts have offered plausible economic and political reasons for the use of term 'governance' instead of government. According to Sophal Ear, a former World Bank official, "the phenomenal rise of governance as opposed to government, in a normative context, may also have a great deal to do with its more palatable sound—to say "bad government" to a Prime Minister is akin to telling him he is a "bad" person. While to say that his government suffers from bad governance sounds more diplomatic—and international financial institutions (IFIs) like the World Bank and the IMF are, if nothing else, diplomatic organizations."

[3] Asian Development Bank, "Governance Bank Policies," *Operations Manual*, Section 54, Asian Development Bank, Manila, January 13, 1997; World Bank, *Governance and Development*, World Bank, Washington DC, 1992. p.1.

[4] IMF, "The IMF and Good Governance," A Factsheet, August 31, 2002, p.1.

[5] *The Economic Times*, December 17, 2002, p.7.

1. Voice and accountability, which includes civil liberties and political stability;
2. Government effectiveness, which includes the quality of policy making and public service delivery;
3. The quality of regulatory framework;
4. The rule of law, which includes protection of property rights;
5. Independence of the judiciary; and
6. Curbing corruption.[6]

As evident from the above-mentioned characterization, the Bank tends to equate 'governance' within the ambit of government with an emphasis on corruption, transparency, participation and rule of law. Hence, the Bank's governance-related programs are concerned with public sector management, public administration, downsizing of bureaucracy and the privatization of state-owned companies. Without belittling the importance of these measures, the fact remains that such a narrow approach cannot help in understanding the myriad issues related to the concept of 'good governance.' The Bank as well as international donor community is oblivious to the relationship between 'good governance' and attainment of basic economic, social and political rights. With an emphasis on technicalities, the important issues related to politics and power relations both within and among nations are not given due attention. In fact, it is due to World Bank's financial clout and intellectual hegemony, its definition of 'good governance' has gained wider currency within the dominant academic, diplomatic and development cooperation circles.

Broadening the Discourse on Governance

Given the fact that the dominant discourse on good governance is increasingly becoming superficial and constricted with sole emphasis on state institutions and structures, the time has come to broaden the concept to include all formal and informal actors who play a role in decision-making or in influencing the decision-making process. Viewed in totality, the notion of governance would encompass all non-state actors including markets and civil society. Therefore, it stands to reason that governance issues should also be addressed to the corporate world, financial markets, multilateral financial institutions, multilateral trade bodies, bilateral donor agencies, media, religious groups, political parties, NGOs, trade unions, etc.

In the new global setting, corporate governance issues need far greater attention than ever since corporate globalization unleashes forces with no public accountability. There are over 63000 parent transnational corporations (TNCs) with over 800000 foreign subsidiaries. Besides, corporations are increasingly taking control of industries and services previously run by governments, without shouldering public responsibilities. As pointed out by Robert A G Monks and Nell Minow in their book, *Power and Accountability*, "corporations determine far more than any other institution the air we breathe, the quality of the water we drink, even where we live. Yet they are not accountable to anyone." The 1984 accident at Union Carbide's factory in Bhopal (India), in which 6000 people were killed and over 150000 suffered grievous ailments, is a grim reminder that exempting the corporate world from the purview of governance and accountability could lead to large-scale human and environmental catastrophe. The Bhopal disaster is one of the examples of the double standards displayed

[6] Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, "Aggregating Governance Indicators," *Policy Research Working Paper*, No. 2195, World Bank, Washington DC, October 1999; and Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, "Governance Matters," *Policy Research Working Paper*, No. 2196, World Bank, Washington DC, October 1999.

by the TNCs regarding consumer protection, environmental and employment concerns in their home and host countries.

In the contemporary world, the revenues of several TNCs far exceed the GDP of many countries. For instance, the total revenue of Exxon Mobil in the year 2000 was more than the GDP of each of the 113 countries including New Zealand, Indonesia, Malaysia and Thailand. The giant corporations account for about three-quarters of the world's commodity trade. Studies have pointed out that TNCs often form trade cartels and indulge in manipulative transfer pricing causing substantial loss of tax revenue and foreign exchange to the poor and the developing world. Although anti-corporate activists have been demanding wider corporate accountability for decades, corporate governance was never on the agenda of international financial institutions, powerful states and corporate entities. It is only in the aftermath of a series of financial scandals that rocked corporate America in 2002 (for instance, Enron, WorldCom, Xerox, Global Crossing, Tyco International, Adelphia Communications, among others) that the issues of corporate governance came into prominence in policy circles. It is important to stress here that this is not the first time that scandals and frauds have gripped corporate America. But what is amazing this time is that CEOs, directors, investment bankers, fund managers, auditors, and market analysts are all part of the unholy nexus.

Despite much-touted claims of corporate transparency and disclosures, the basic norms of governance were completely flouted in all these scams. The corporate governance problem is so widespread that almost 1000 American corporations have restated their earnings since 1997. Notwithstanding the regulations laid down by the US regulatory authority, Securities and Exchange Commission (SEC), almost every big American corporation had its corporate code of ethics. Though it is a different matter that they repeatedly violated their own codes. These unsavory episodes have put a serious question mark on the relevance of code of ethics. It has also patently exposed the systemic flaws in the highly acclaimed American model of governance based on self-regulation. At another level, these scandals have also demolished the popular myth that corruption is only limited to the public sector. The private sector, particularly big corporations are as much mired in corrupt practices. Corruption is a widespread phenomenon, not merely restricted to the poor and the developing world.

By limiting the concept of good governance to the right to vote and other components of political democracy, wider issues such as control over wealth and power, domination by TNCs and finance capital, the control of IFIs and World Trade Organization (WTO) by powerful states, and inequalities and asymmetries within and among nations are not being addressed as issues of governance. For the vast majority of people, good governance also means a better quality of life; an equitable distribution of wealth, income and natural resources; dismantling of highly concentrated structures of property ownership; full employment; access to housing, health and education; restraining privileges of elites; the right to choose alternatives; cultural development and so forth. A good governance system is the one under which all public policy affairs are managed through broad consensus in a transparent, accountable, participatory and equitable manner. However, such an ideal system of good governance remains a far cry in the developed world, leave alone the poor and the developing world. Hence, governance cannot be an end in itself. It is an evolving process and has the potential to become a potent instrument for radical transformation provided it is applied in all spheres of social life. Like democracy, good governance cannot be implanted or imposed by the donor community, it has to be imbibed, nurtured and cherished from within. That is why, recent efforts to impose universal blueprints have not yielded positive results.

The Soaring Graph of 'Good Governance' Agenda

The World Bank first used this concept in its 1989 report, *Sub-Saharan Africa: From Crisis to Sustainable Growth*, in which it characterized the crisis confronting the region as a "crisis of governance" and linked ineffectiveness of aid with governance issues. Since then, Africa has become the epicenter of debates on governance. In the following years, the Bank enlarged its policy arena by including good governance as a core element of its development strategy. However, the major ideological push towards using good governance as a conditionality was formulated by the World Bank in its 1998 report, *Assessing Aid: What Works, What Doesn't, and Why*. In this report, the Bank explained the interaction between development aid and the quality of governance. The report forcefully argued that the impact of aid on growth depends on "sound economic management" and effective institutions. The report endorsed a selective approach to the disbursement of aid based on policy performance and reform commitment, rather than on the extent of poverty or developmental needs of a borrowing country. The report also called upon the Bank to give more financial resources and expertise on governance issues for actualizing development goals in the member-countries.

Box 2: PRSPs and Good Governance

Benin: "Improve governance... national anti- corruption strategy... reforming the civil service and ... quickening the pace of decentralization."

Bolivia: "Modernize the State and fight corruption... reform of the judicial system... promote the participation of the private sector in areas previously assumed by the public sector... reduce red tape and bureaucracy in public entities,... decentralization ... transfer political power to municipal governments."

Burkina Faso: "Redefinition of the role of the State... promote good governance... accelerate reforms to strengthen democratic forums and promote the efficient management and transparency of government finance... local governance... combat corruption... reform of the judicial system... decentralization... comprehensive reform of the civil service... better management of public finances."

Ethiopia: "Decentralization and empowerment, judiciary and civil service reform, and institutional capacity building. Judicial and civil service reform will have the effect of encouraging private sector in particular, while decentralization and empowerment will mainly encourage the smallholder farmer."

Guyana: "Good governance and an improved business environment are essential for accountability, transparency and the restoration of business confidence... In the public sector, the goal will be the efficient delivery of services to the private sector by all government ministries and agencies… Government will eliminate redundant positions and reduce vacant positions in the establishment from over 25000 to 12000.... improving the rule of law."

Kenya: "Good governance is a fundamental building block of a just and economically prosperous society and therefore, is an essential component of action to reduce poverty.... A sustained drive against corruption... reforming the public service... reduced workforce... restructuring and retrenchment... Completion of the civil service retrenchment exercise to reduce the service by at least 48000."

Mali: "Creating an enabling regulatory, legislative, and institutional framework;... strengthening democracy and the rule of law; implementing the decentralization policy... public sector restructuring and privatization... good governance... fight to end corruption."

Malawi: "Civil service reform... retrenchment of 20000 temporary employees... improve financial management and accountability... good governance... decentralization process... democratic environment... rationalizing government ministries, departments, and agencies... improve financial management and accountability."

In consonance with the new thinking, the Bank has carried out amendments in its operational guidelines to give more importance to good governance in its lending programs. Since 1999, the Bank has also been carrying out Institutional and Governance Reviews (IGR) to assess the quality of governance. Recently, the World Bank has developed governance indicators to measure governance in more than 150 member-countries.[7] Apart from the fact that the quality of governance cannot be measured in quantitative terms, the problem with governance indicators is that they are mostly geared towards foreign investors and lenders for assessing political risks in countries where they invest, instead of addressing these issues to people at large for whom governance really matters. Further, these indicators have yet to demonstrate a linear relationship between the quality of governance and development goals. For instance, how better rule of law contributes towards lowering illiteracy and infant mortality rates?

The World Bank and the IMF are relying on traditional approaches of punitive conditionalities to promote governance and institutional reforms. The growing interest of IFIs on the question of good governance is amply reflected in several Poverty Reduction Strategy Papers (PRSPs)[8] (see Box 2). Besides the IFIs, a number of other agencies (for instance, UNDP) have jumped onto the bandwagon of good governance. Several major bilateral donor agencies are increasingly following the performance-based allocation system under which the allocation of aid is linked to the government's performance in terms of reducing poverty. At the UN Conference on Financing for Development at Monterrey (Mexico), the US President, George Bush pledged an additional five billion dollars in aid beginning in 2004 to countries which undertake political, legal and economic reforms.[9] In the recently launched New Partnership for Africa's Development (NEPAD) initiative, the linkages between poverty reduction and good governance have been made explicit.[10] The recent international initiatives aimed at reducing debt burden of the poorest countries (including the Köln Debt Initiative and the Highly Indebted Poor Countries Initiative) also link debt relief with governance reforms.

---

[7] The history of quantitative measures of governance dates back to 1955 when a US-based foundation, Freedom House, published a report, *Freedom in the World*, which covered political rights, civil liberties, and freedom of the press. The foundation publishes this report every year. Currently, an international NGO, Transparency International, is also bringing out a Corruption Perception Index which deals with corruption and public sector reforms. In recent years, a number of bilateral donors have published handbooks and issued guidelines on governance indicators.

[8] The IMF and the World Bank in their Annual Meetings embarked on PRSPs in September 1999. They replaced structural adjustment programs as the new pre-condition for loans and debt relief. The Enhanced Structural Adjustment Facility (ESAF) of IMF has been replaced by the Poverty Reduction and Growth Facility (PRGF), and the PRSPs have become an integral component of the Heavily Indebted Poor Country (HIPC) initiative and a precondition for access to the Poverty Reduction Support Credit (PRSC) introduced by the World Bank in 2001. PRSPs have now become a condition for most development aid to the world's poorest countries. The IFIs have also pushed other donors (for instance, European Union) to link their aid to Poverty Reduction Strategies. PRSPs were supposed to mark a major shift. Borrowing countries were to design their own development strategies, and these were to be more explicitly focused on poverty reduction. Besides the involvement of IFIs, borrowing countries were supposed to seek broader participation of civil society and other stakeholders in the preparation of I-PRSPs (Interim PRSPs) and PRSPs. However, in reality, PRSPs are not different from earlier structural adjustment programs as their core economic elements consist of deregulation, privatization, liberalization and rolling back of state. Critics have also pointed out that borrowing countries write into the PRSPs what would be acceptable to the donors.

[9] George W Bush, "Remarks by the President at United Nations Financing for Development Conference, Monterrey, Mexico," March 22, 2002.

[10] NEPAD is based on the concept of mutual accountability and calls for a new "compact" between African countries and external donors. It calls for African countries to undertake drastic political and economic reforms and in return, external donors would provide aid, debt relief and market access.

In addition, the agenda of good governance and structural conditionality has played a prominent role in the G-8 Summits. The G-8 leaders have encouraged the IFIs to take an active role in governance reform and institutional development in the borrowing countries through lending, investment and technical assistance activities. By concentrating solely on the quantitative aspects of conditionality and performance indicators, G-8 leaders have not paid adequate attention to the content of conditionalities and the manner in which these are imposed on the borrowing countries. It appears that the G-8 leaders have abandoned long-standing issues such as the reform of the international financial architecture and internal governance of the IFIs which were brought into center stage in the aftermath of the Southeast Asian financial crisis in 1997. The shift in the policies of international aid community, particularly of the IFIs, towards good governance both as an objective and a precondition for development aid is a disturbing phenomenon and needs to be rigorously questioned.

Good Governance, Washington Consensus and Second Generation Reforms

Any analysis of good governance would remain incomplete without acknowledging the prominent role of neoliberal economic policy package, known in popular parlance as Washington Consensus.[11] It is no coincidence that the concept of good governance gained currency when market-oriented structural adjustment programs pushed by the IFIs in the poor and the developing world were increasingly coming under public scrutiny and criticism. In fact, good governance agenda is deeply embedded in the neoliberal Washington Consensus.

The benefits assured by Washington Consensus are yet to be realized in spite of its implementation in over a hundred countries in the last two decades. While the negative consequences of this global policy regime at the macroeconomic level as well as on the lives of poor people have been well documented and therefore need no elaboration here. Based on neoclassical economic model, adjustment policies failed miserably to achieve stated objectives of higher economic growth and reduction in poverty. Rather, these policies contributed in no small measure towards worsening of income inequalities in the countries which vigorously implemented it. Instead of accepting the failure of neoliberal economic policies, the IFIs shifted the blame on the tardy application of policies in the borrowing countries. By blaming the poor institutions for the failure of the Washington Consensus, the IFIs paved the way for institutional and political reforms through aid conditionalities in the borrowing countries.

The borrowing countries are being advised to complement economic reforms (also known as first generation reforms) with institutional and political reforms — with what are known as second generation reforms.[12] Since first generation conditionalities were aimed at liberalizing the economy ("getting prices right"), the second generation conditionalities refer to redesigning the state and its institutions

---

[11] The term 'Washington Consensus' was first coined by the US economist John Williamson to refer to policy package pushed by the powerful Washington-based institutions, namely, the World Bank, IMF, the US Treasury and neoliberal think-tanks. Initially aimed at Latin American countries in the 1980s, Washington Consensus was subsequently extended to the rest of the developing world. The important components of the Washington Consensus were fiscal discipline; trade liberalization; liberalization of foreign investment regime; financial liberalization and capital account liberalization; privatization; deregulation; tax reforms; labor reforms; market-based exchange rate; and protection of property rights.

[12] A US-based economist, Dani Rodrik, has examined this issue in an institutionalized context. See Dani Rodrik, "Institutions for High-Quality Growth: What They Are and How to Acquire Them?," paper presented at the IMF Conference on Second Generation Reforms, Washington DC, November 8-9, 1999; and Dani Rodrik, "After Neoliberalism, What?," in *After Neoliberalism: Economic Policies that Work for the Poor*, New Rules for Global Finance Coalition, Washington DC, October 2002.

("getting institutions right") to ensure smooth development of market economy. The second generation conditionalities have been labeled as structural conditionality in the case of the IMF and governance conditionality in the case of the World Bank.

It is important to emphasize here that the governance agenda reinforces the Washington Consensus through institutional and political conditionalities. Since markets do not function in a vacuum, a rule-based legal regime is necessary for the smooth functioning of markets. Legal and institutional reforms are oriented towards securing private property rights, enforcing contracts and expansion of private sector. In the present context of globalization, diverse forms of legal, administrative and political systems are considered as impediments in the smooth functioning of a global economy. That is why, IFIs and the WTO are insisting on harmonized national political, institutional and legal processes in order to ensure smooth operations of transnational capital. The new emphasis on "sound economic management" may appear a laudable goal but is nothing more than a rigid adherence to fiscal austerity measures. Even the limited concerns for safety nets are attempts to contain mass uprisings against the neoliberal economic order rather than making people economically independent and empowered. Thus, governance reforms are actually oriented towards strengthening market reforms instead of genuine democratization and attainment of human rights. Consequently, promotion of good governance has become an integral part of the emergent global economic order.

A recent report by the UNCTAD titled, *From Adjustment to Poverty Reduction: What is New?,* critically examines the new agenda in the context of poverty reduction in Africa.[13] Based on an appraisal of 27 PRSPs in Africa, the report concluded that the macroeconomic policy content of the PRSPs shows "no fundamental departure from the kind of policy advice espoused under what has come to be known as the "Washington Consensus." Efforts aimed at reexamining the governance issues should fundamentally question the orthodoxy of the Washington Consensus that has dominated economic development paradigm since the 1980s.

IFIs and Governance Conditionalities

Conditional aid is not a new phenomenon but when aid is used by the external aid agencies to fundamentally alter the institutions and processes of governance in the borrowing countries, it raises several pertinent questions. As in the case of economic reforms, the IFIs are using aid conditionalities to promote good governance in the borrowing countries. With the enlargement of the governance agenda in the eighties and the nineties, the scope of governance conditionalities has also expanded, particularly in mid 1990s. Since 1996, the Bank has launched over 600 governance related programs and initiatives in 95 countries and is currently involved in several governance and public sector reforms in over 50 countries.[14] The range of Bank's programs with governance related conditionalities include public sector reforms, transparency, civil service reforms, decentralization of delivery system, and legal and judicial reforms.

In the case of the IMF, the share of programs with structural conditions and the average number of conditions per program have increased significantly during 1989-99. According to the IMF's 2001 report titled, *Structural Conditionality in Fund-Supported Programs*, the share of programs with structural conditions has increased from 60 to 100 per cent and the average number of structural

[13] UNCTAD, *From Adjustment to Poverty Reduction: What is New?,* New York and Geneva, 2002, p. 6.

[14] Development Committee, "Note from the President of the World Bank," Prague, September 18, 2000, p. 4.

Table 1: The Burden of Conditionality

	Conditionality Strictly Defined			Conditionality Loosely Defined		
	Total conditionalities (average)	Of which governance related conditionalities	As a percentage of total conditionalities	Total conditionalities (average)	Of which governance related conditionalities	As a percentage of total conditionalities
Africa	23	9	39	114	82	72
Asia	17	4	24	84	49	58
Central Asia and East Europe	36	4	67	93	55	59
Latin America	33	13	39	78	41	53

Source: Devesh Kapur and Richard Webb, *Governance-Related Conditionalities of the International Financial Institutions*, UNCTAD, G-24 Discussion Paper Series 6, UNCTAD, New York and Geneva, 2000. Data based on IMF *Letters of Intent* and *Policy Framework Papers* (PFPs) between 1997 and 1999 for a sample of 25 countries that had a program with the IMF in 1999: Africa: Cameroon, Djibouti, Gambia, Ghana, Guinea, Madagascar, Mali, Mozambique, Rwanda, Senegal, Uganda, Tanzania, Zambia; Asia: Cambodia, Indonesia, Republic of Korea, Thailand; Central Asia and East Europe: Kazakhstan, Kyrgyzstan, Latvia, Romania; Latin America: Bolivia, Brazil, Nicaragua.

conditions per program has increased from 3 to 12. On behalf of G-24, Devesh Kapur and Richard Webb have carried out a comprehensive study of governance related conditionalities of the IFIs.[15] They pointed out that governance related conditionalities represent the bulk of the conditions imposed by the IFIs during 1997-99 – on an average 72 per cent in Africa, 58 per cent in Asia, 59 per cent in Central Asia and Eastern Europe, and 53 per cent in Latin America and the Caribbean (see Tables 1 and 2). In addition, the report noted that under a narrow definition of conditionality, the burden is most acute in Central Asia and East Europe, whereas a broader definition of conditionality places the greatest burden on sub-Saharan Africa.[16]

According to Kapur and Webb, "even if conditionality is interpreted narrowly, its burden on borrowers has grown significantly. The average number of criteria for a sample of 25 countries having a program with the IMF in 1999, with programs initiated between 1997 and 1999, is 26. This compares to about six in the 1970s and ten in the 1980s."[17] To illustrate the domination of governance conditionalities, the authors cited the case of IMF's 1997 program with Indonesia that contained 81 conditions, of which 48 pertained to governance. While a similar IMF program in 1999 with Kyrgyzstan contained 97 governance related conditions out of a total 130 conditions. Interestingly, most of the conditionalities were related to the fiscal sector.

The Problem with Governance Conditionalities

The shift towards promoting good governance both as an objective and a precondition for de-

[15] Devesh Kapur and Richard Webb, *Governance-Related Conditionalities of the International Financial Institutions*, UNCTAD, G-24 Discussion Paper Series 6, UNCTAD, New York and Geneva, 2000, p. 4.

[16] Ibid.

[17] Ibid.

Table 2: Examples of The Burden of Governance Conditionality

		Conditionality Strictly Defined			Conditionality Loosely Defined		
Region	Countries	Total	Governance related conditionalities	In percentage	Total	Governance related conditionalities	In percentage
Africa	Mali	26	13	50	105	67	64
	Mozambique	22	12	55	74	58	78
	Senegal	27	9	33	165	99	60
	Zambia	18	6	33	87	59	68
Asia	Cambodia	30	9	30	83	65	78
	Indonesia	18	8	44	81	48	59
	Rep. Of Korea	10	4	40	114	44	39
	Kazakhstan	27	17	63	114	69	61
Eastern Europe	Albania	43	33	77	72	47	65
	Latvia	28	20	71	65	28	43
	Romania	43	25	58	82	34	41
Latin America	Brazil	38	21	55	89	45	51
	Bolivia	32	21	66	95	44	46
	Nicaragua	29	18	62	50	34	68

Source: Same as in Table 1.

velopment aid in the borrowing countries is misconceived. Firstly, the shift indicates a radical departure of the IFIs from their traditional responsibilities as mentioned in their Articles of Agreement.[18] Secondly, it is debatable as to whose governance should actually be questioned. Unfortunately, the dominant debate within the international aid community has been on the quantum of aid and conditionality for supporting policy reforms, without fundamentally questioning the *raison d'etre* of aid conditionality. The recent experience is a grim reminder that aid conditionality cannot be an appropriate tool for achieving the intended objectives. In a series of articles on this issue, Carlos Santiso has questioned the effectiveness of conditional aid in altering the institutions of governance in the borrowing countries.[19]

Recent experience with aid conditionality in the context of adjustment lending has confirmed that conditional aid had very limited influence in their successful implementation. A study by Paul Mosley, Jane Harrigan and John Toye on the World Bank's policy lending has demonstrated that there is no discernible relation between the intensity of conditionality and success in implementation of promised reforms.[20] This finding has been substantiated by the World Bank's own case-studies on aid and reforms

[18] There is an ongoing debate about the proper demarcation of responsibilities between the IMF and the World Bank, popularly known as "mission creep," because of the Bank's involvement in governance issues and IMF's involvement in poverty reduction programs have led to significant encroachment on each other's traditional institutional turfs. In addition, since governance issues are political issues, these should fall outside the mandate of the IFIs as their founding charters prohibit political considerations in designing the aid programs.

[19] Carlos Santiso, "Good Governance and Aid Effectiveness: The World Bank and Conditionality," *The Georgetown Public Policy Review*, Vol.7, Number 1, Fall 2001, pp.1-23; and Carlos Santiso, "International Cooperation for Democracy and Good Governance," *European Journal of Development Research*, Vol.13, Number 1, 2001, pp.154-180.

[20] Paul Mosley, Jane Harrigan and John Toye (eds.), *Aid and Power: The World Bank and Policy-based Lending*, Routledge, London, 1991.

in African countries which state that aid cannot buy reform and that the conditionality attached to adjustment loans failed to induce policy changes.[21]

On the other hand, there are several instances where externally enforced economic and political reforms through the instrumentality of conditional aid have seriously undermined the domestic democratic processes in the borrowing countries. Based on a study of adjustment lending in South East Asia and Latin America, Tony Killick has debunked the notion that conditionality can "buy" better policies and promote sound governance institutions.[22] The Bank's own researchers have also reported that aid dependence can significantly undermine the quality of governance in the borrowing countries. In an empirical study on aid dependence and quality of governance, Stephen Knack of the World Bank found that aid has led to increased corruption, draining of scarce talent from the bureaucracy, and weakening of institutional capacity and accountability.[23]

Thirdly, it is difficult to measure countries in terms of either good or bad governance. In reality, most of the poor and the developing countries stand somewhere in between. Moreover, there is no guarantee that good governance institutions would automatically lead to reduction of poverty and promotion of sustainable development. We cannot overlook the fact that poverty, infant mortality and illiteracy rates have remained high in several countries that have established democratic governance norms and institutions for decades. For instance, India has not been able to reduce poverty despite having strong democratic governance institutions and processes such as free press, civil liberties, independent judiciary and rule of law. On the other hand, one finds that rapid economic growth and massive reduction in poverty levels occurred in several Asian countries under poor governance structures and authoritarian regimes.

Despite the growing evidence (emanating from diverse sources including the Bank researchers) against the effectiveness of conditional aid, the IFIs are yet to revisit their intellectual moorings and acknowledge that aid conditionality is not a credible mechanism to usher in policy reforms in the borrowing countries.

The Limits of Technocratic Approach

The governance reforms agenda of the international aid community, particularly of the IFIs, is problematic on several grounds. Firstly, focused exclusively on improving domestic institutions, the technocratic approach does not take into account important external factors (such as protectionism, declining commodity prices, external debt, and volatile capital flows) that act as major impediments in poverty reduction in the poor and the developing world.

Secondly, the technocratic approach is based on the premise that liberalization, deregulation and globalization hold the key to economic growth which, in turn, would lead to poverty reduction. The emphasis is on liberalization and deregulation of domestic financial markets encompassing market-determined exchange and interest rates, liberalization of current and capital accounts, and granting

[21] Shantayanan Devarajan, David Dollar, and Torgny Holgren, *Aid and Reform in Africa: Lessons from Ten Case Studies*, World Bank, Washington DC, 2001.

[22] Tony Killick, *Aid and the Political Economy of Policy Change*, Overseas Development Institute, London, 1998.

[23] Stephen Knack, "Aid Dependence and the Quality of Governance: A Cross-Country Empirical Analysis," *Policy Research Working Paper*, No. 2396, World Bank, Washington DC, July 2000.

more autonomy to central bankers and financial regulators. One of the justifications given in favor of market-led reforms is that it would ultimately benefit the poor people. Although the IFIs have yet to demonstrate how financial liberalization helps the poor to come out of the clutches of poverty. While advocating financial liberalization, microcredit is touted as a panacea for poverty reduction. However, the success of microcredit programs in reducing poverty is extremely limited and is usually dependent on other developmental efforts which are undermined by the adjustment policies (see Box 3).

Freeing of financial regulators from democratic accountability and control, in fact, exemplifies the growing trend towards technocratic forms of governance goaded by the IFIs. In particular, the IMF has been vociferously encouraging technocratic control over economic decision-making (such as independent central bank) as a necessary precondition for implementing structural adjustment policies. The Fund suspended the disbursement of a scheduled $400 million loan tranche to Indonesia in 2001 when the government proposed amendments in the central bank laws in order to enhance its public accountability whose officials were involved in several corrupt practices in the past. In several countries, central banks and financial regulators have been granted greater autonomy to formulate key economic policies and in some countries (for instance, Argentina and Brazil) fiscal responsibility laws have been enacted to restrain the scope of fiscal policies. This means that key economic issues such as interest rates, exchange rates and monetary policies have been left to the discretion of technocrats. Delinking of economic decision-making from the political processes through such technocratic forms of governance is thoroughly undemocratic as it subverts democratic accountability and popular participation in policy-making. By handing over key economic policy-making to unelected and unaccountable central bankers and technocrats, countries lose sovereignty which is a *sine qua non* for a democratic order to flourish.[24]

Implantation of Anglo-American institutions of governance is the overarching theme of the new agenda. It is based on the assumption that the developed countries have the best institutions which could be implanted across the world irrespective of cultural and historical conditions. Implantation of such uniform blueprints without addressing underlying power relations and cultural differences is not only ineffective but proves counterproductive, as witnessed recently in the case of Russia. Democracy can not (and should not) be implanted or imposed through stringent conditionalities by external donors, it has to be imbibed and nurtured from within. That is why, there is no universal model of democracy. The democratic processes vary from country to country because societies differ in terms of history, culture and popular aspirations. Switzerland, for instance, developed a decentralized, confederate system rooted in self-governance of ‘cantons,’ while UK evolved a centralized system based on representative parliamentary democracy. Democracy in France emerged under the influence of the church whereas India developed parliamentary democratic system based on the Westminster model with a strong emphasis on secularism. It must be noted that democratization is not a smooth process as it could generate new conflicts based on class, caste, gender and identity.

Recent experience of democracy promotion in several nascent democracies reveals that democratization cannot be achieved through technical approaches aimed at replicating the western model of liberal democracy or through technical kits such as training of parliamentarians, civil servants and judges. The top-down technical approach overlooks the fact that democratization is essentially a political issue which could only be addressed by domestic popular mobilization. Without taking into account the

[24] For a critique of central bank independence and its adverse impact on democracy, see Sheri Berman and Kathleen R McNamara, “Bank on Democracy: Why Central Banks Need Public Oversight,” *Foreign Affairs*, March/April 1999, pp. 2-8.

Box 3: World Bank, Women's Empowerment and Microcredit

In recent years, the development aid community has pushed microcredit as a panacea for poverty alleviation. During the recent Microcredit Summit +5 held at New York, tall claims were made as to how microcredit can alleviate poverty of half of the 1.2 billion people living on $1 per day or less, by 2005. The World Bank launched the Consultative Group to Assist the Poorest (CGAP) in 1995 to facilitate the microcredit program in the poor and the developing world. Keeping the CGAP framework in view, the World Bank has recently launched a project in India, namely, Rural Women's Development and Empowerment Project. The entire focus and emphasis of this project is to launch credit programs through the establishment of self-help groups in India. Thus, women's empowerment is only seen in terms of economic development with a narrow focus on credit and income-generation programs. One expects that a project with such a progressive appellation as "Empowerment" should include developmental components other than credit. Poverty, particularly that of women, cannot be defined only in terms of cash flow since it has strong linkages with inequitable distribution of resources, unequal power relations, illiteracy, lower wages, cuts in developmental spending and anti-poor macroeconomic policies that disproportionately affect the poor women.

In the sphere of rural women's empowerment, women's control and ownership over land can play a significant role in not only economic welfare but, more importantly, in terms of social and political empowerment as land is a symbol of political power and socio-economic status in rural India. But the program is totally silent on land issues. Perhaps, the Bank is not interested in a process of women's empowerment that addresses the issues of politics, power relations and interest groups. It needs to be emphasized that microcredit is not a substitute of social sector spending and anti-poverty programs. How beneficial credit can be to poor Indian women if cuts in social services continue to exacerbate women's poverty and increase their total labor hours? One is not arguing that credit has no role in alleviating poverty but what can poor women do with a few hundreds of rupees if they do not have access to education, health services, training, and child care?

Despite these limitations, the program aims to promote self-employment which is the last option left for the poor women in India. But the poor women are placed in an extremely disadvantageous position in the market. How can products of poor women compete with those of big business which not only have strong financial backing but also spend millions on advertising, brand selling and marketing. Until and unless the poor women are provided access to market information, technology, management and marketing skills, their economic ventures are bound to remain uncompetitive.

The "success" of microcredit in reducing poverty is often over exaggerated. The most common criterion used by donors in measuring success of microcredit programs is loan repayment rate. Undoubtedly, loan repayment rate is very high as compared to commercial lending but this does not explain the qualitative impact of such programs in terms of increasing income flows, levels of employment and sustainability of businesses. Since lenders are primarily concerned with repayment of loans, vital issues related to the quality and wider socio-economic impact of such loans have not been given due attention. Empirical studies reveal that it is not always the poorest of the poor women who get the credit. Those with sizeable income and assets often corner the biggest chunk of credit. Further, studies have also reported that much of credit is used by poor women to meet consumption needs (e.g., food, health, clothing, marriage, festivals, etc.) rather than investment in businesses, thereby negating the essence of microcredit programs.

Lastly, there are very few instances where microcredit institutions have become sustainable without the support of donors. One finds that the dependence on donors has further increased with the expansion of microcredit programs, thereby putting a question mark on the long-term financial sustainability of these institutions.

underlying power relations and socio-economic matrix, technical approaches by themselves are hardly adequate for the realization of democracy.

One of the key components of technocratic approaches towards good governance is policy "ownership." In principle, one cannot disagree with the new emphasis on policy "ownership" but if the recent experience with PRSPs is any indicator, ownership is largely oriented towards ensuring that the borrowing countries do not lag behind in terms of implementation. The report by UNCTAD on poverty reduction in the context of Africa stated that ownership is restricted to the design of safety nets without touching the macroeconomic policies and development strategies.[25] After detecting the strong influence of the IMF and the World Bank on macroeconomic issues in several PRSPs, the report questioned whether policies are truly "owned" or merely designed to serve the requirements of donors.

The donor community cannot remain oblivious to the fact that conditionality tends to undermine countries' ownership of reforms rather than promote it. Ownership cannot be imposed through financial leverage and conditionality. Ownership would remain elusive until and unless there is a widespread acceptance of policies and political will among the country's political leadership and people at large. If imposed externally, it may fuel public discontent against donor agencies for their undue interference in the borrowing countries.

Judicial reform constitutes another important component of current governance agenda where reforms have been introduced in a technocratic manner in diverse country settings. Not only is the agenda predominantly biased towards enforcement of private property rights and contracts, it disregards the complexities of legal and dispute settlement systems of the borrowing countries. After spending millions of dollars in projects related to judicial reforms, the Bank's intervention has yet to yield desired results. A survey on judicial reform and economic development published in the Bank's own journal called into question the actual impact of judicial reforms on economic development.[26] The sudden imposition of formal mechanisms to resolve disputes without understanding the specificities of the countries concerned is not an ideal solution. The IFIs have failed to realize that legal system, including those in the developed countries, takes decades and centuries to develop and therefore they cannot be implanted overnight. As rightly observed by Devesh Kapur and Richard Webb, "Judicial reform illustrates several features of the way in which the IFIs have approached governance issues. One is a combination of impatience and a readiness to use borrowers as guinea pigs."[27]

There is a growing consensus within the international aid community that a development strategy based on decentralization and local self-governance (granting more powers to local bodies and governments and involving local bodies and NGOs in the developmental projects) is the key to poverty reduction and economic growth. To a large extent, the new shift towards involving local bodies and NGOs in aid projects has to do with the earlier disappointment with state-to-state development cooperation and the mushrooming of NGOs in the last two decades.[28] However, recent experiences show that decentrali-

---

[25] UNCTAD, op.cit., p. 58.

[26] R E Messick, "Judicial Reform and Economic Development: A Survey of the Issues," *The World Bank Research Observer*, Vol. 14, No. 1, February 1999, pp. 117-136.

[27] Devesh Kapur and Richard Webb, op. cit., p. 11.

[28] It needs to be stressed here that the IFIs encourage only those NGOs, community groups and research institutes which are ideologically inclined towards liberal democracy and market reforms.

zation agenda has little to do with genuine democratization of economic decision-making processes since crucial matters are decided by a handful of technocrats and political elites without any semblance of public debate and discussion.

In the name of decentralization and local self-governance, essential developmental tasks and social responsibilities of the state are being handed over to cash-starved, non-transparent, unaccountable NGOs and local bodies without examining their performance, capacity to deliver and sustainability. Recent experiences also reveal that there is nothing inherently democratic about local bodies and NGOs. Stories related to misappropriation of funds, incompetence, and biases in favor of certain interest groups by local bodies and NGOs are not uncommon. There are NGOs which are more accountable to donors rather than people at large. Further, there are limits to which the NGOs can function effectively. Since NGOs lack the power and legitimacy to enforce their edict, most of their efforts remain voluntary, precisely because they cannot perform the functions of a legally constituted government. Attempts to promote decentralization are likely to fail until and unless they restructure power relations between government and local communities in a meaningful way.

Another dimension of good governance pertains to fostering popular participation. However, participation is increasingly being viewed as a technical issue, overlooking the fact that it is political in character. Viewed technically, participation, at best, is meant to ensure efficient implementation of policies without any meaningful say in the decision-making processes. The term 'participation' has been frequently used in several PRSPs. A recent survey of civil society's participation in the PRSPs in several countries reveals the poor levels of participation in the drawing up of PRSPs and I-PRSPs.[29] The survey found that the bulk of NGOs are disenchanted with the participation processes as they were not adequately consulted in the preparation of these papers. Common problems expressed in the survey include lack of timely involvement, lack of information on macro-economic issues, exclusion from discussion on important matters such as strategies, and so forth.

The emphasis on financing education and health care through "cost recovery" and "prepayment schemes" is conspicuous in several PRSPs of Burkina Faso, Malawi, Mauritania, Rwanda, Uganda and Tanzania. However, this approach disregards the fact that poor people in these countries lack purchasing power to access these services and higher user-fees for health and education services would aggravate (not reduce) poverty. Withdrawal of state from public services could result in denying poor people access to basic services. The recent privatization of the Dar es Salaam Water and Sewerage Authority (DAWASA) under the HIPC debt relief initiative demonstrates how poor people could be excluded from an affordable clean water supply.

The governance agenda places special emphasis on anti-corruption measures which needs to be welcomed. However, the solution to corruption is sought through reduction in the size of the government (in particular, downsizing of bureaucracy) by means of privatization and deregulation. Despite massive privatization of public sector enterprises and large-scale downsizing of bureaucracy in several poor and the developing countries, the level of corruption has not gone down. On the contrary, corruption has increased in several countries as privatization of public sector enterprises has given new opportunities for corruption. There are ample instances of privatization in Russia, India, Pakistan and a host of other countries where privatization deals were executed through corrupt methods. Further, the exclusive focus on corruption in public offices and institutions fails to chronicle the large-scale corrupt prac-

---

[29] World Development Movement, *Policies to Roll Back the State and Privatise?,* London, April 2001.

tices carried out by private individuals and corporations. The series of financial scams in the Indian financial markets and recent string of scandals in corporate America are examples of corruption by big corporations in connivance with other private parties such as fund managers, brokers, financiers, auditors and investment banks. Thus, accountability and transparency issues are equally important for the private sector.

For good governance to be strengthened, the state must be made accountable and democratic. It is not the size of government that matters but the quality of government. The 'participatory budgeting' experiment in the city of Porto Alegre, Brazil and the 'Kerela model' are examples of active state involvement coupled with strong popular mobilization and engagement in the decision-making processes by labor unions, peasant organizations and popular movements. It is high time that the donor community, particularly the IFIs, recognizes the limits of development cooperation strategies which undermine the state.

Politics Matters

The current narrow technocratic approaches to governance depoliticize foreign aid and development, converting it to a technical mechanism which could be evaluated by quantitative performance indicators. Although some analysts have argued that by taking up governance issues, the international aid community has shown interest in coming to terms with political dimensions of development. But by negating the issues of politics, power relations and interest groups, the aid agencies (particularly the IFIs) have, so far, failed to visualize governance issues in a holistic perspective. Their resistance to admit that governance problems are political problems stems from their ideological moorings and a false notion of 'political neutrality' which delinks economic issues from politics. The technical approaches (however technically and institutionally sound they may be) are not sufficient in promoting good governance. Without addressing the underlying power relations in a given society, technical approaches such as training of judges, parliamentarians and civil servants would not lead to any meaningful contribution to governance issues. There is a need to steer away from the superficial boundaries of 'technocratic consensus' and start treating governance issues as political issues.

Put simply, politics matters. As rightly emphasized by Carlos Santiso, "without addressing the underlying distribution of power, parliaments will likely remain passive and judiciaries dominated by the will of omnipotent executives. Although IFIs should not meddle in politics, they should not be politically naïve and cannot be oblivious of the political economy context. Governance reform and institutional development require focusing more explicitly and more rigorously on issues of power, politics and democracy."[30] According to Carlos, what is needed is a more radical approach in which donors cede developing countries greater control over the use of aid, within the framework of agreed-upon objectives."[31]

If the governance agenda has to succeed, there must be reciprocal institutional reforms both within the international aid community and borrower countries. Such an approach requires a wider vision that moves beyond recent 'compacts' like NEPAD. Further, it needs to be acknowledged that addressing political dimensions of development is not going to be an easy task as it fundamentally challenges the

---

[30] Carlos Santiso, *Governance Conditionality and the Reform of Multilateral Development Finance: The Role of the Group of Eight*, G8 Governance, Number 7, 2002, p. 29.

[31] Carlos Santiso, op.cit. Fall 2001, p. 19.

donors' interventions on governance issues and significantly the influence exercised by international power configurations.

Agenda for Further Research and Analysis by ROA Network

The Reality of Aid (ROA) contributors must realize governance agenda is full of inherent contradictions and dilemmas. If used technically, it may reinforce the intellectual models and traditional donor intervention approaches relating to development cooperation. However, if political and other important dimensions of development are incorporated, it has not only the potential to contribute in terms of reduction of poverty, but, equally importantly, it could repudiate the intellectual models (for instance, Washington Consensus) on which one-size-fits-all development strategy rests.

Following are a few proposals for further research which can be carried out by the ROA contributors. These may be treated as suggestions subject to further deliberations.

First, the ROA contributors must critically examine the governance norms of the present international aid system. In particular, the legitimacy of the IFIs as the institutions of global governance should be questioned. Further, it needs to be underscored how the IFIs themselves follow undemocratic structures and norms of governance such as their voting arrangement, veto power, lack of transparency and public participation. The intellectual hegemony of the IFIs, particularly of the World Bank in promoting good governance should also be dispassionately appraised.

To analyze this issue in detail, the ROA contributors could commission a study on the governance of the IFIs. Under their Articles of Agreement, the Bank and the IMF are not supposed to enter into policy conditionality and restructuring of the economy of the member-countries. But both the World Bank and the IMF have expanded their policy conditionality in the last two decades. Not only the number of conditionalities has increased but also their scope has widened beyond core monetary and fiscal macroeconomic issues. Now with the incorporation of governance reforms, the mandate of the IFIs have been further widened. Despite large-scale expansion in their operations, IFIs are yet to make any headway on the accountability front. Under strong pressure generated by civil society, the IFIs have undertaken measly reforms in the last few years in terms of transparency and consultation. Yet these reforms are not adequate for ensuring wider accountability, both vertical (staff to Executive Board) and horizontal. Both the institutions remain secretive and unaccountable. They still follow an archaic practice under which the President of the World Bank is the nominee of the US while an European nominee heads the IMF. Voting rights in the World Bank and IMF are still governed by the archaic rules framed in 1944. Recent efforts to instill accountability (such as World Bank Inspection Panel, IFC Ombudsman, Independent Evaluation Office, etc.) are more of a public relation exercise than any genuine concern for accountability since these establishments lack enforcement powers.

Second, the role of bilateral official aid agencies in pushing ahead the governance agenda needs to be critically examined. Rather than questioning and influencing, the bilateral donors tend to blindly support the governance conditionalities dictated by the IFIs. It has been observed that several bilateral donors (for instance, France, Germany and Japan) follow a completely different set of economic and political policies at home. The ROA contributors should highlight the double standards adopted by those donors who support an international policy regime which is in complete contrast with their own domestic policy regime. Apart from examining the governance norms of the bilateral donors, the ROA contributors should insist that bilaterals should articulate their own development strategies, in congruence with their domestic policies.

Third, the PSRPs could also serve as the starting point for examining development cooperation in the context of governance reforms and structural conditionalities. For instance, 27 countries in sub-Saharan Africa had prepared PRSPs or I-PRSPs and submitted them for assessment and endorsement by April 2002.[32] Since there is a growing interest among NGOs and research groups in some of these countries to critically appraise PRSPs, the ROA contributors could link up with the NGOs and research institutes of these countries and use the data and information already generated by such groups. Apart from PRSPs, the interventions by the IFIs on good governance reforms should also be analyzed in the case of middle-income countries such as India and Brazil. In this regard, the country-specific data could be accessed from a variety of publicly available sources such as Country Assistance Strategies, Letter of Intent, Public Information Notices, etc.

Fourth, a number of empirical research studies (including by the Bank researchers) have already established that aid with punitive conditionalities cannot "buy" policy reforms, especially governance reforms. By referring to existing literature coupled with case studies, the ROA contributors could demonstrate why conditionality is not an appropriate approach to strengthen good governance in the borrowing countries. They should demand a considerable rollback of conditionalities. Further, the problems associated with cross-conditionality between the IFIs should also be highlighted.

Fifth, while demanding a radical reform of the governance agenda, one should emphasize that without revisiting the modes of interventions and intellectual models on which the present agenda is firmly rooted, any attempts to reform it would remain cosmetic in nature. In particular, the ROA contributors should explore the linkages between good governance reforms and neoliberal Washington Consensus. The ROA contributors, for instance, could highlight why other reform measures (for instance, land reforms and reform of the international financial architecture, subsidies in the donor countries, etc.) are not in the agenda of good governance.

Sixth, by emphasizing that current governance agenda lacks coherence and consistency, the contours of good governance should be expanded by stressing that non-state actors (particularly TNCs and financial markets) should also abide by the tenets of good governance.

Lastly, the ROA researchers should critically examine the promotion of good governance through "institutional modeling." In particular, one-size-fits-all strategy has to be questioned along with demanding adequate space for the borrowing countries to develop their own governance strategies and models as per their particular cultural, social, historical and political setting. The limitations of technocratic approaches towards attaining good governance should be unveiled by stressing the political and other important dimensions of governance in particular and development in general.

[32] These countries were Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Côte d'Ivoire, Djibouti, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Uganda, United Republic of Tanzania and Zambia.